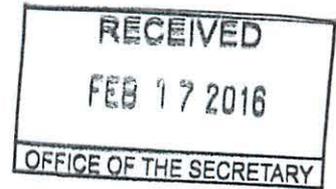




UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
PHILADELPHIA REGIONAL OFFICE
One Penn Center
1617 JFK Boulevard
SUITE 520
PHILADELPHIA, PENNSYLVANIA 19103



MICHAEL J. RINALDI
SENIOR TRIAL COUNSEL
(215) 597-3192
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February 16, 2016

Via UPS

Office of the Secretary
U.S. Securities and Exchange Commission
100 F St., N.E.
Washington, D.C. 20549

Re: Bennett Group Financial Services, LLC and Dawn J. Bennett, Administrative
Proceeding File No. 3-16801

To the Secretary:

I represent the Division of Enforcement in the above-referenced administrative proceeding.

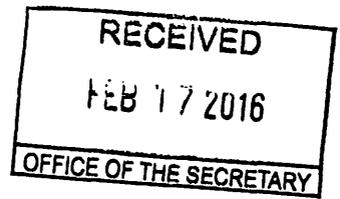
Enclosed please find the originals (with manual signatures) and three copies of (i) the Division's Renewed Motion to Admit Prior Sworn Statements of Timothy Augustin, John J. Koorey, and Bradley Mascho and Memorandum of Law in Support Thereof and (ii) the Declaration of Michael J. Rinaldi, which were filed today via facsimile pursuant to SEC Rule of Practice 151, 17 C.F.R. § 201.151.

Respectfully,


Michael J. Rinaldi

encl.

cc: The Honorable James E. Grimes
Gregory Morvillo, Esq.



UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-16801

DECLARATION OF MICHAEL J. RINALDI

In the Matter of

**BENNETT GROUP FINANCIAL
SERVICES, LLC**

and

DAWN J. BENNETT,

Respondents.

I, Michael J. Rinaldi, to the best of my knowledge, information, or belief, hereby declare and state as follows:

1. I am over eighteen years of age and competent to make this declaration.
2. I represent the Division of Enforcement in the above-referenced administrative proceeding and submit this declaration in support of the Division of Enforcement's Renewed Motion to Admit Prior Sworn Statements of Timothy Augustin, John J. Koorey, and Bradley Mascho. I am a member of the bars of the Commonwealth of Pennsylvania, the State of New Jersey, and the District of Columbia.
3. Attached as Exhibit A is a true and correct copy of portions of the testimony taken of Timothy Augustin in the investigation styled Bennett Group Financial Services, LLC (P-1774).
4. Attached as Exhibit B is a true and correct copy of portions of the testimony taken of John J. Koorey in the investigation styled Bennett Group Financial Services, LLC (P-1774).

5. Attached as Exhibit C is a true and correct copy of portions of the testimony taken of Bradley Mascho in the investigation styled Bennett Group Financial Services, LLC (P-1774).

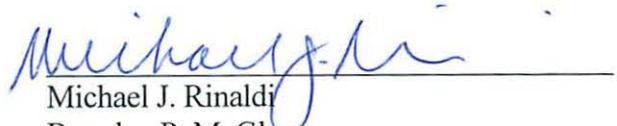
6. Attached as Exhibit D is a true and correct copy of an excerpt of the transcript of the December 31, 2015, prehearing conference in this matter.

I declare under penalty of perjury that the foregoing is true and correct. Executed on February 16, 2016.


Michael J. Rinaldi

STATEMENT OF FILING BY FACSIMILE

I hereby certify that, on this sixteenth day of February, 2016, with respect to In the Matter of Bennett Group Financial Services, LLC and Dawn J. Bennett, Administrative Proceeding File No. 3-16801, I caused a true and correct copy of the Declaration of Michael J. Rinaldi to be filed via facsimile with the Office of the Secretary of the U.S. Securities and Exchange Commission pursuant to SEC Rule of Practice 151, 17 C.F.R. § 201.151. The facsimile was transmitted to (703) 813-9793.



Michael J. Rinaldi
Brendan P. McGlynn
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Counsel for the Division of Enforcement

CERTIFICATE OF SERVICE

I hereby certify that, on this sixteenth day of February, 2016, with respect to In the Matter of Bennett Group Financial Services, LLC and Dawn J. Bennett, Administrative Proceeding File No. 3-16801, I caused a true and correct copy of the Declaration of Michael J. Rinaldi (together with the accompanying Statement of Filing by Facsimile) to be served upon the following by first class mail and electronic mail:

Honorable James E. Grimes
Administrative Law Judge
Securities and Exchange Commission
100 F St., N.E.
Washington, D.C. 20549

Gregory Morvillo, Esq.
Morvillo LLP
500 Fifth Ave.
New York, N.Y. 10110



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1 THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

2

3 In the Matter of:)

4) File No. P-01774-A

5 BENNETT GROUP FINANCIAL)

6 SERVICES)

7

8 WITNESS: Timothy Augustin

9 PAGES: 1 through 284

10 PLACE: U.S. Securities and Exchange Commission

11 100 F Street, N.E.

12 Washington, D.C. 20549

13 DATE: Thursday, December 4, 2014

14

15 The above-entitled matter came on for hearing,

16 pursuant to notice, at 10:36 a.m.

17

18

19

20

21

22

23

24 Diversified Reporting Services, Inc.

25

(202) 467 9200

1 APPEARANCES:

2

3 On behalf of the Securities and Exchange Commission:

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6 Division of Enforcement

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1 THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

2

3 In the Matter of:)

4) File No. P-01774-A

5 BENNETT GROUP FINANCIAL)

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3 On behalf of the Securities and Exchange Commission:

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1 APPEARANCES (CONT.):

2

3 On behalf of the Witness:

4 GREGORY S. BRUCH, ESQ.

5 ELIZABETH GIBBONS, ESQ.

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1 P R O C E E D I N G S

2 MR. RINALDI: So we'll go back on the record.

3 Whereupon,

4 TIMOTHY AUGUSTIN

5 was called as a witness and, having been first duly

6 sworn, was examined and testified as follows:

7 EXAMINATION

8 MR. RINALDI: Okay. Can you please state and
9 spell your full name for the record?10 THE WITNESS: Timothy, T-i-m-o-t-h-y, William,
11 W-i-l-l-i-a-m, Augustin, A-u-g-u-s-t-i-n.12 MR. RINALDI: My name is Michael J. Rinaldi,
13 and with me here today is Brendan McGlynn. Also
14 participating by telephone is Patricia Paw. We're all
15 from the Philadelphia Regional Office of the Securities
16 and Exchange Commission. And we're officers of the
17 Commission for purposes of this proceeding. This is an
18 investigation by the United States Securities and
19 Exchange Commission in the matter of Bennett Group
20 Financial Services, File No. P-1774, to determine whether
21 there have been violations of certain provisions of the
22 federal securities laws.23 However, the facts developed in this
24 investigation might constitute violations of other
25 federal or state civil or criminal laws. Prior to the

1 THE WITNESS: Not at this time.

2 MR. RINALDI: Are you represented by counsel
3 here today?

4 THE WITNESS: I am.

5 MR. RINALDI: Could counsel identify
6 themselves?

7 MR. BRUCH: Yes, Greg Bruch from the law firm
8 Bruch Hanna, representing Mr. Augustin today.

9 MR. RINALDI: Okay.

10 MS. GIBBONS: Elizabeth Gibbons, Bruch Hanna,
11 representing Mr. Augustin.

12 MR. RINALDI: And each of you are representing
13 Mr. Augustin in his individual capacity here today;
14 correct?

15 MS. GIBBONS: Yes.

16 MR. RINALDI: Let me give you certain
17 instructions for today's deposition or testimony, rather.
18 First is -- is that the testimony here today will be
19 transcribed. So in order to have a clear record, we have
20 to let each other speak. So I'll ask a question and then
21 you answer. And we'll try not to speak over one another.
22 Fair?

23 THE WITNESS: Fair.

24 MR. RINALDI: Second thing is -- is that your
25 answers have to be verbal during the testimony. So in

1 to Mr. Rogers about regarding the compliance program?

2 A I don't recall.

3 Q Okay. Do you recall anything else that you
4 spoke to Mr. Rogers about regarding this investigation,
5 even if generally?

6 A No, I don't recall --

7 Q Okay.

8 A -- anything else.

9 Q Now, I think you mentioned that Mr. Rogers
10 spoke to you about those two particular topics, the SEC
11 registration and the compliance program because they
12 pertained to you?

13 A Correct.

14 Q That's correct? Why -- why would those two
15 matters pertain to you?

16 A Because I was the one that did the legwork to
17 set up the -- the registered investment advisory. And as
18 chief compliance officer of the RIA, I was in charge of
19 the compliance program.

20 Q Any other reasons?

21 A No.

22 Q Okay. Now, when you say you undertook the
23 legwork --

24 A Mm-hmm.

25 Q -- to set up the registered investment

1 advisor, what do you mean by that?

2 A I was tasked in 2007 to start investigating
3 setting up a registered investment advisory --

4 Q Okay.

5 A -- for Bennett Group Financial Services.

6 Q And who --

7 A So --

8 Q -- tasked you to do that?

9 A Dawn Bennett.

10 Q Okay. And why did she do that?

11 A Because we were starting to get some requests
12 for -- for proposal from various entities.

13 Q And who were they?

14 A I remember one being a hospital somewhere.

15 Q Okay.

16 A Another one was Sirius XM to run -- to help --
17 to help with the 401(k)'s and pension plans for these
18 entities.

19 Q Okay.

20 A And one of the stipulations for -- for getting
21 this was that you needed to be a registered investment
22 advisory. So in order to -- to create some more -- to
23 grow the business and create diverse revenue streams for
24 the business, we decided it would be prudent to create an
25 RA so that we could actually start to bid on -- on some

1 of these -- these other entities.

2 Q And just to be clear, I think you said RA. You
3 mean RIA; right?

4 A What did I say?

5 Q I think you said RA.

6 A RIA.

7 Q RIA?

8 A Yes.

9 Q Okay. And other than the --

10 A Would you prefer I use "advisory" so I don't --

11 Q You could say whatever you want.

12 A Okay.

13 Q Okay. I just want to make sure the record's
14 clear. I don't --

15 A Okay. Sure.

16 Q -- want to be unfair to you at all.

17 A Great.

18 Q So other than the hospital and Sirius XM radio,
19 any others that you recall?

20 A I -- I'm sure there were some more. I don't
21 recall them because that wasn't -- I wasn't the one
22 tasked to answer RFPs.

23 Q Who was tasked to answer RFPs?

24 A I think -- I think Brad did most of that.

25 Q Okay. Do you recall anyone else doing that?

1 compensation.

2 Q Okay.

3 A But those -- those entities had -- they had
4 Dawn as broker of record.

5 Q Okay.

6 A I saw some of the paperwork from Lincoln
7 Financial. Broker of record, but the actual agreement was
8 with the -- the broker-dealer --

9 Q Okay.

10 A -- that we had at the time so -- so we were
11 already doing pension work. And that was -- that was one
12 of the reasons that we were sent these RFPs, is because
13 we had -- were already out in -- in the marketplace doing
14 pension consulting.

15 Q Okay. So I -- I just asked you about the
16 legwork that you did this --

17 A Mm-hmm.

18 Q -- to --

19 A Sure.

20 Q -- complete the ADV.

21 A Mm-hmm.

22 Q I think you also mentioned that you were the
23 chief compliance officer. Was that for the broker-dealer
24 or the investment advisor or both?

25 A For the investment advisor.

1 Q Okay.

2 A I'm --

3 Q And what was the name of the investment
4 advisor?

5 A Bennett Group Financial Services.

6 Q Okay.

7 A Yeah, the chief compliance officer for the
8 broker-dealer was -- was depending on -- the compliance
9 officer we worked with at Royal Alliance was Bob
10 Taetreault.

11 Q Okay.

12 A The chief compliance officer at Western is --
13 is Brad Geiser.

14 Q Okay.

15 A So there's no need for a chief compliance
16 officer at Bennett Group --

17 Q Okay.

18 A -- dealing with the broker-dealer side.

19 Q And what was -- what were your duties as chief
20 compliance officer of Bennett Group Financial Services,
21 LLC?

22 A The advisory?

23 Q Yes.

24 A Well, I set up the -- I filed the ADV --

25 Q Okay.

1 A I do.

2 Q What's your cell phone number?

3 A (202)549-

4 -4596.

5 Q Are you currently employed at Bennett Group
6 Financial Services, LLC?

7 A I am.

8 Q Okay. What is the address of your office
9 there?

10 A 5335 Wisconsin Avenue, Suite 500, Washington,
11 D.C. 20015.

12 Q And how long has that been the offices for
13 Bennett Group Financial Services?

14 A Since October of 2010, I believe.

15 Q Prior to that, where were the offices?

16 A 1400 K Street, Suite 501.

17 Q In Washington, D.C.?

18 A In Washington, D.C., 20005.

19 Q And during what period of time was that the
20 offices for Bennett Group Financial Services?

21 A February 2006 until October of 2010.

22 Q I know I asked you if you have a cell phone.
23 What is the number or did you give that already?

24 A I gave it.

25 Q Oh, okay.

1 Q Will you walk me through your educational
2 background after your graduation from high school?

3 A Sure. I went to Lawrence University in
4 Appleton, Wisconsin.

5 Q Okay.

6 A I was a double major in music and Slavic
7 studies. I graduated from Lawrence in June of 1994.
8 During that time, I took a break and attended the Defense
9 Language Institute Foreign Language Center in Monterey,
10 California, where I graduated with a certificate in
11 Arabic. From there, I went to the U.S. Army Intelligence
12 Center and School, Fort Huachuca, Arizona, where I
13 graduated with a certificate in human intelligence
14 acquisition.

15 Q Anything else?

16 A I've taken -- I've done coursework in Vienna,
17 Austria at Achtilingua. The subject was German.

18 Q Okay.

19 A I took coursework at ALIF, the American
20 Language Institute, Fes, Morocco for Arabic studies. I
21 took coursework in Alexandria, Egypt for Arabic study.
22 And I did coursework for my master's degree in music at
23 the Catholic University of America, 1988 and 1989. I'm
24 sorry, '99 and -- '98 and '99. And that's -- that's the
25 formal study.

1 Q Okay. Lawrence, do you have a degree from
2 there?

3 A I do.

4 Q What is that?

5 A Bachelor of music.

6 Q Catholic University of America, degree?

7 A No.

8 Q Okay. Any other degrees?

9 A No, just certificates.

10 Q Okay. Any other post-high school study that
11 you can remember?

12 A No.

13 Q Have you ever studied --

14 A Not anything formal.

15 Q Have you ever studied finance or accounting?

16 A Took economics courses in college.

17 Q Okay. Anything else?

18 A No.

19 Q Any of the coursework that you've mentioned
20 that would be relevant to your current position as the
21 chief compliance officer that you can think of?

22 A No.

23 MR. RINALDI: Okay.

24 MR. BRUCH: Just current position.

25 BY MR. RINALDI:

1 Q Oh, what is your current position?

2 A I'm a financial advisor.

3 Q Oh, okay. Any other coursework let me just
4 ask it more generally.

5 A Okay.

6 Q You spoke about your studies at a variety of,
7 you know, institutions. Any of it relevant to any of the
8 positions that you have held or currently hold at Bennett
9 Group Financial Services?

10 A No.

11 Q None at all?

12 A Not that seem to be germane but I was also --
13 part of my work history is I was an engineering
14 technician.

15 Q Okay.

16 A And I was an engineer in college.

17 Q Okay.

18 A But yet I was able to pass the certification
19 courses. So --

20 Q What is your -- you're currently employed at
21 Bennett Group Financial Services; correct? What is your
22 position?

23 A I'm the chief operating officer.

24 Q Okay. Now, is that for the -- the brokerage
25 side or the advisory side or both?

1 A We don't have an advisory side anymore.

2 Q Oh, okay. How long have you been chief
3 operating officer?

4 A Since May of 2 -- '06.

5 Q May 2006 to present?

6 A Mm-hmm.

7 Q Do you hold any other positions with Bennett.
8 Group Financial Services, other than maybe financial
9 advisor?

10 A Yes.

11 Q Okay. How long have you been a financial
12 advisor at Bennett Group Financial Services?

13 A Since the end of 2006 or early 2007.

14 Q All right.

15 A I don't remember when I took the Series 7.

16 Q Okay. To the present?

17 A Correct.

18 Q Any other positions that you've held at Bennett
19 Group Financial Services?

20 A I don't really -- I mean, I have lots of job
21 duties.

22 Q Right.

23 A I don't know that -- I don't know what you mean
24 by positions specifically.

25 Q When did you start working at Bennett Group

1 Financial Services?

2 A February 16 of 2006.

3 Q Okay. So what did you do from February 2006 to
4 May 2006 when you became the chief operating officer?

5 A I answered the phones --

6 Q Okay.

7 A -- and did basic office work.

8 Q Anything else?

9 A No.

10 Q And from that, you went to chief operating
11 officer in May of 2006?

12 A Well, that's when I started doing -- I don't
13 know when I received the title.

14 Q Okay.

15 A That's when I started doing those sort of
16 duties, which basically entailed vendor contracts.

17 Q Right.

18 A Comptroller things.

19 Q Okay.

20 A Stuff of that nature.

21 Q And during what period of time were you the
22 chief compliance officer for the advisory firm?

23 A From inception, which was 2000 -- I think we
24 were approved in 2009, January of 2009 --

25 Q Okay.

1 A -- until June or July of 2011, I guess.

2 Q Okay. Any other positions that you held,
3 either advisory, brokerage or otherwise for Bennett Group
4 Financial Services?

5 A I'm the IT guy.

6 Q Okay.

7 A Does that matter? You know, I mean, it's a --
8 it's a small shop.

9 Q Okay.

10 A You know, there are just a few of us. There
11 are a lot of things to do, so, you know, we all pitch in
12 where we can.

13 Q Okay.

14 A So I -- you know, I did -- I did operations
15 stuff for a time and processed paperwork for clients,
16 things like that, filing, you know, whatever needed to be
17 done.

18 Q Any -- any other roles that you've had, whether
19 formal or informal, at Bennett Group Financial Services?

20 A No, not -- not really.

21 Q Prior to joining Bennett Group in February
22 2006, what did you do?

23 A Do you want me to go in reverse chronological
24 order or from college?

25 Q Which do you prefer?

1 A Probably going forward.

2 Q Okay.

3 A So I worked for an engineering firm.

4 Q Okay.

5 A New Associates in 1990 -- 1994.

6 Q Where is that located?

7 A Appleton, Wisconsin.

8 Q Okay. What did you do there?

9 A I was an engineering technician.

10 Q Okay. And during what period of time?

11 A That was -- it would have been 1994 to 1995.

12 Q Okay. What's next?

13 A Next is Payne and Dolan Asphalt.

14 Q Okay.

15 A Engineering technician again from '95 to '96.

16 Q Okay. And where is that located?

17 A That's in Milwaukee, Wisconsin.

18 Q Okay. So what's next? Oh, by the way, before

19 you go on, what is an engineering technician?

20 A An engineering technician is someone who works

21 in the field and in the laboratory making sure -- quality

22 assurance, quality control --

23 Q Okay.

24 A -- for bridges, roads, materials.

25 Q Okay.

1 A Asphalt, concrete, wood, permeability testing
2 of clay for landfills, all sorts of things like that
3 so -

4 Q You didn't need any kind of state or other
5 license to do that; right?

6 A Yes.

7 Q You did?

8 A You need a state certification, yes.

9 Q Okay. So next position?

10 A I worked at Barnes and Noble for a while during
11 that same time.

12 Q Okay. What did you do there?

13 A I was in the music section --

14 Q Okay.

15 A -- as typical retail sales.

16 Q Okay. And during what period of time?

17 A It would have been '94, '95.

18 Q Okay. Next?

19 A I -- I was a singer with the Lyric Opera of
20 Chicago.

21 Q Okay. During what period?

22 A And the Florentine Opera of Milwaukee from '94
23 to '96.

24 Q Okay.

25 A 1996, I joined the United States Army Band --

1 Q Okay.

2 A -- where I stayed until 2002. 1998, I started
3 cinging with the Washington National Opera.

4 Q Okay.

5 A 2003, I was a real estate agent in Minnesota
6 for RE/MAX.

7 Q Now, were you with the opera beyond 2002?

8 A I still am, yeah.

9 Q Oh, okay. Okay. And then you were a real
10 estate agent?

11 A Correct.

12 Q Where, again?

13 A In Blaine, Minnesota.

14 Q Okay. That's 2003 to --

15 A 2000 -- just 2003.

16 Q Okay.

17 A I went home. My father -- my father was sick.

18 Q Okay.

19 A That's my -- that's where I'm from.

20 Q Okay.

21 A So went home to spend time with family and --

22 Q Okay.

23 A That was the family business so -- so yeah, so
24 I had education for real estate too, I guess.

25 Q Okay.

1 A So I had to take coursework and -- and pass
2 that -- that exam.

3 Q What was the name of the real estate firm?

4 A It was RE/MAX.

5 Q Okay.

6 A And then the bulk of my employment after that
7 was with the Washington National Opera until 2006.

8 Q Okay. Any other employment, including
9 employment that you may be doing currently that you
10 haven't told me about?

11 A St. Anne's Catholic Church.

12 Q Okay. Up in Tenleytown?

13 A In Tenleytown.

14 Q Okay.

15 A I've been there since -- I don't know -- 2003
16 or '04, I guess.

17 Q And what do you do there?

18 A I'm a singer.

19 Q Okay. Anything else?

20 A No, I mean, I run my own -- my own singing
21 business as me.

22 Q Okay.

23 A As a freelance musician. So, you know,
24 depending on where that is.

25 Q Anything else?

1 A Not that I can think of.

2 Q Okay.

3 A That's a lot.

4 Q So currently, you're at Bennett Group Financial
5 Services. You sing for the opera?

6 A Correct.

7 Q And you're with St. Anne's Catholic Church and
8 your freelance work?

9 A Correct.

10 Q So -- and the freelance work would be somebody
11 wants you to sing at their wedding, something like that;
12 right?

13 A Things like that.

14 Q Okay.

15 A Of that nature, yeah.

16 Q Anything else that you currently do?

17 A Not that I can think of.

18 Q Okay. Now, what -- let me step back. Do you
19 hold any professional licenses?

20 A I have my Series 7, 63 and 65.

21 Q Are they all current?

22 A The 7 and 63 I know are. The 65, I'm not

23 sure --

24 Q Okay.

25 A -- if it is because we closed the IRA down.

1 And it may be two years, something. It's been attached
2 somewhere, so --

3 Q Okay. So the 7 and 63, are they in good
4 standing?

5 A Yes.

6 Q With respect to any of them, have you ever been
7 disciplined, suspended?

8 A No.

9 Q Any action taken against you? No?

10 A No.

11 Q Okay. Any other professional licenses you've
12 ever held? The engineering technician one; right?

13 A Yeah, there's --

14 Q I assume that's not in good standing anymore;
15 right?

16 A No.

17 Q Okay.

18 A And the real estate agent.

19 Q Okay.

20 A That's -- that's a professional license. I'm
21 not -- I'm sure that's not in good standing anymore.

22 Q Anything else?

23 A Not that I can think of.

24 Q Did you ever do any training to be the chief
25 compliance officer?

1 A No formal training.

2 Q Any training whatsoever?

3 A Well, there was, of course, research on -- on

4 the Internet and --

5 Q Okay.

6 A -- there was -- there was discussions with

7 counsel.

8 Q Okay.

9 A At Cadwalader.

10 Q Okay.

11 A And my due diligence to find someone to help

12 us, help us with it.

13 Q And -- and who was that person to help you with

14 it?

15 A That was Dawn Bond.

16 Q Okay. Anything else?

17 A Nothing more than on-the-job training. I

18 was -- I was the -- before we started the advisory, I was

19 the compliance liaison, I guess you could say, between

20 the broker-dealer and Bennett Group.

21 Q Okay.

22 A If they had questions, I would be the one to --

23 to try to get the answers.

24 Q Okay. And so during what period of time were

25 you the compliance liaison?

1 THE WITNESS: I'm sorry.

2 MR. RINALDI: Yeah.

3 THE WITNESS: Thank you for catching that.

4 BY MR. RINALDI:

5 Q Anyone else that you can recall?

6 A No.

7 Q Okay. Do you have any ownership interest in
8 Bennett Group Financial Services?

9 A I do.

10 Q And what percentage is that?

11 A Three percent.

12 Q What is that worth?

13 A Nothing.

14 Q Has it ever been worth anything?

15 A No.

16 Q Has it ever been valued?

17 A No.

18 BY MR. MCGLYNN:

19 Q How did you come to be a three percent owner of
20 Bennett?

21 A It was -- it was in response to -- it was for
22 retention purposes. I was offered another job at the end
23 of 2006.

24 MR. RINALDI: Okay.

25 THE WITNESS: And in order to keep me, she

1 offered me some equity ownership.

2 BY MR. RINALDI:

3 Q And what was the other job?

4 A It was an analyst with the Defense Intelligence
5 Agency. At the time, there was a lot of -- a lot of call
6 for Arabic linguists who could get security clearances
7 so --

8 Q Has your ownership interest ever been anything
9 other than three percent since acquiring it?

10 A No.

11 Q Have you ever been terminated or asked to
12 resign to avoid termination from any position?

13 A No.

14 Q You mentioned that you are currently a three
15 percent owner in Bennett Group Financial Services;
16 correct?

17 A Correct.

18 Q Who owns the other 97 percent?

19 A Dawn Bennett owns 92 percent and Bradley Mascho
20 owns five percent.

21 Q And how long has that 92/5/3 ownership
22 structure been in place?

23 A I'm not sure.

24 Q At least the last three years?

25 A As far as I know, yes, at least the last three

1 years.

2 Q How about the last five years?

3 A I'm not sure.

4 Q Okay. And how did Mr. Mascho come to acquire
5 his five percent?

6 A You'd have to ask Dawn that question.

7 Q Okay.

8 A I think it was merit-based, but, you know, it's
9 speculation on my part.

10 Q Is there a board of directors or other
11 governing body for Bennett Group Financial Services?

12 A For Bennett Group Financial Services, no.

13 Q Okay. How are decisions made at Bennett Group
14 Financial Services?

15 A Depends on the decision.

16 Q Okay. Who -- who controls Bennett Group
17 Financial Services?

18 A Dawn Bennett.

19 Q Are there any matters at Bennett Group
20 Financial Services that she doesn't control?

21 A I don't think there's -- I guess I don't
22 understand the depth of the question.

23 Q Okay.

24 A For instance, if I needed to -- if I needed to
25 bring in a contractor to -- to fix -- fix a hole in the

1 wall --

2 Q Right.

3 A -- that would be something that I would
4 control.

5 Q Okay.

6 A Or if I needed some computer assistance and I
7 called a vendor --

8 Q Okay.

9 A -- that would be under my control. But
10 ultimately, it would be under her control because she's
11 the boss.

12 Q So everything at the firm is ultimately under
13 her control; fair?

14 A Ultimately, yes.

15 Q And I know that you mentioned, you know, the
16 computer guy, the technician that may be areas that in an
17 intermediate sense are under your control but ultimately
18 under her control. What about matters related to
19 securities, the advisory function when you had the
20 advisor? Were all those matters directly under her
21 control?

22 A Directly?

23 Q Yes.

24 A Ultimately, yes.

25 Q Yeah. So what's the distinction between

1 directly and ultimately?

2 A Well, there were some things -- there are some
3 things that people have control over in their own
4 dominion that --

5 Q Okay.

6 A -- ultimately she was the final say, but some
7 of these things, she would -- wouldn't even need to know
8 about.

9 Q Okay. So individual people conducted their
10 work?

11 A Yes.

12 Q You know, working with clients and the like --

13 A Yes.

14 Q -- where she would not be involved; correct?

15 A Correct.

16 Q But ultimately, she would -- those people would
17 report to Dawn?

18 A Yes, her name is on the door.

19 Q Okay. And -- and ultimately, she would control
20 their activities; correct?

21 A In the sense that she had the power to fire
22 anyone, yes.

23 Q Okay. You mentioned that Bennett Group
24 Financial Services is a small shop. How many employees
25 does it currently have?

1 Q And what is her role?

2 A She's the chief executive officer.

3 Q Anyone else who's currently there?

4 A No.

5 Q Okay. Are you familiar with the program

6 Financial Myth Busting --

7 A I --

8 Q -- with Dawn Bennett?

9 A I am.

10 Q Okay. Have you ever listened to it?

11 A I have.

12 Q Okay. How often -- well, let me ask you this.

13 Is it still -- is the program still being aired?

14 A It is.

15 Q Okay. How long has it been aired?

16 A Since -- since May of 2010, I think.

17 Q Okay.

18 A End of May. May 23rd sticks in my head for

19 some reason.

20 Q How much does Ms. Bennett or Bennett Group
21 Financial Services get paid for putting on that program?

22 A Nothing.

23 Q Does Ms. Bennett or Bennett Group Financial
24 Services pay anything for that program?

25 A Yes.

1 Q How much does Bennett Group Financial Services
2 or Ms. Bennett pay to have that air?

3 A It's \$1,500 a week.

4 MR. RINALDI: Okay.

5 MR. BRUCH: Changed over time.

6 BY MR. RINALDI:

7 Q So it's currently \$1,500 a week?

8 A Correct.

9 Q Previously, was it more or less or --

10 A It was more.

11 Q Oh, it was more. Okay.

12 A Mm-hmm.

13 Q What was the most it was?

14 A \$4,000 a week, I think.

15 Q Why did the price go down?

16 A Or \$3,850 a week. \$3,850 is the last I
17 remember at our old station. The price went down because
18 we went to a different station.

19 Q What station are you at now?

20 A We are at WWRC --

21 Q Okay.

22 A -- here in the District, and we are nationally
23 syndicated through Radio America.

24 Q Okay. So what period of time have you been at
25 that current station with the national syndication?

1 A It's been a matter of months, maybe -- what is
2 this? This is December. Five or six months.

3 Q Okay. And so that's on the AM dial, I assume?

4 A AM and FM.

5 Q Oh.

6 A Locally here, it's AM.

7 Q Okay.

8 A But some of the affiliates that have picked it
9 up are FM.

10 Q And what's the number associated with it, if
11 you know?

12 A In which?

13 Q In the AM.

14 A I know, but in which --

15 Q In Washington, D.C.

16 A It's 1260, I think.

17 Q Okay. And so then it's syndicated from there
18 on both AM and FM?

19 A Correct.

20 Q And do you know what its listenership is?

21 A I have no idea.

22 Q So prior to being on 1260 with the national
23 syndication, where was the show?

24 A WMAL.

25 Q Okay. And how long was it at WMAL?

1 A Three -- three or four years.

2 Q Okay.

3 A I think.

4 Q And was it also a national syndication?

5 A No.

6 Q Okay. And WMAL is located here in Washington,
7 D.C.?

8 A The District of Columbia, correct.

9 Q Okay. And do you know the number that was
10 associated with it?

11 A 630 AM, 105.9 FM.

12 Q Okay.

13 A Or -- yeah, 105.9, I think.

14 Q Okay. Any other radio stations the program has
15 been on?

16 A No.

17 Q Okay. Any other television stations or other
18 modes of communication that the radio -- the radio show
19 has been on?

20 A Sorry. Didn't --

21 Q Go ahead.

22 A -- mean to interrupt. For Financial Myth
23 Busting?

24 Q Yes.

25 A No.

1 A I never -- those -- those are two distinct
2 subsets of time. Since she's done Financial Myth
3 Busting, she hasn't been on anyone else's program.

4 Q I see. So Financial Myth Busting started in
5 what year again?

6 A 2010.

7 Q And since then, she's not been on any other
8 programs?

9 A Not that I can remember.

10 Q Were you ever asked to do any work with respect
11 to the Financial Myth Busting show?

12 A What do you mean by work?

13 Q Did you have any roles or responsibilities with
14 respect to the program?

15 A Yes.

16 Q Can you describe those?

17 A Sure. Everyone on the staff needs to be -- we
18 rotate going in and actually sitting in, in the studio --

19 Q Okay.

20 A -- and screening calls.

21 Q Okay.

22 A So to make sure that the questions are succinct
23 and there -- yeah, so that.

24 Q And by everyone, who, besides yourself?

25 A We've all done it. John Koorey has done it.

1 Q Okay. Did she have a script?

2 A No script.

3 Q Did she have notes?

4 A She may have had notes.

5 Q Okay. Did you ever prepare her in terms of the
6 substance of what would be spoken about on the program?

7 A There would be times when something would
8 happen on the news and anyone from the staff would say,
9 "Did you hear about this? It might be a good topic for
10 the show."

11 Q When you -- when you look at what we've marked
12 as No. 32, you know, the new -- and in particular, I'm
13 looking at these last two pages.

14 A Okay.

15 Q New -- first of those last two pages is headed
16 by New Client List 2010. Is it fair to say that the
17 radio show had the effect of an advertisement, even if at
18 the time you didn't regard it as an advertisement?

19 A I honestly don't know how to answer that
20 question because I -- I can't -- it would seem logical
21 that it would appear that way, but I can't get inside
22 these people's heads to see if --

23 Q Was Bennett Group Financial Services mentioned
24 during the radio program?

25 A Dawn Bennett of Bennett Group Financial

1 Services, yes.

2 Q Was the telephone number of Bennett Group
3 Financial Services mentioned during the program?

4 A I mentioned it was because she offered to --
5 and she still does offer people if they have questions
6 about their portfolios to call in, and we would give them
7 free advice as far as doing portfolio review.

8 Q And the telephone number that was given was
9 Bennett Group Financial Services' telephone number, not
10 the one at the radio station; right?

11 A I know that we created a new telephone number,
12 and I don't know which one she uses. It's --

13 Q Okay.

14 A -- 855, something, something for Dawn.

15 Q But that -- but that is the telephone number?

16 A Not to the radio station, although it does go
17 to the radio station.

18 Q But it -- but it rings primarily at the -- at
19 the offices and then is forwarded to the radio station?

20 A No, it doesn't ring at the office unless it's
21 forwarded from -- it's -- it's -- it's based so it'll --

22 Q Okay.

23 A It -- I know that it calls in to the radio
24 station.

25 Q Okay.

1 A I've never actually received a call in the
2 office from that line.

3 Q Okay.

4 A So I think it goes into a voicemail.

5 Q Is it --

6 A I'm not sure.

7 Q Is this a toll-free number?

8 A It is.

9 Q Okay. So it's a toll-free number that was set
10 up. Do you know when it was set up?

11 A It would have been shortly -- shortly after
12 Financial Myth Busting started. It was set up by the
13 producer of the show.

14 Q Okay. And who paid for that line?

15 A We pay for it.

16 Q Meaning Bennett Group Financial pays it?

17 A Yeah, sorry, Bennett Group Financial Services.

18 Q Was the -- was there ever mention of -- let me
19 step back. Is there a website for Bennett Group
20 Financial Services?

21 A There is.

22 Q Okay. And what is the website address?

23 A Www.bennettgroupfinancial.com.

24 Q Would that ever be mentioned on the radio
25 program?

1 A Yes, it was. If you need -- in the context of,
2 if you have a question, go to our website and click
3 "contact us" and send us a question.

4 Q Is the website advertising for Bennett Group
5 Financial Services?

6 A I imagine the website might be.

7 Q Is that something that you would have reviewed
8 in your role as chief compliance officer for the advisor?

9 A It was --

10 Q The website?

11 A It was the website for Bennett Group Financial
12 Services, not Bennett Group Financial Services the
13 registered investment advisor. That falls under the
14 purview of the chief compliance officer of the broker-
15 dealer.

16 Q Okay. And did the broker-dealer review --

17 A Yes.

18 Q -- the website?

19 A Yes.

20 Q Okay. To your knowledge, did anyone, yourself
21 or anyone else in a compliance role review the content of
22 the Financial Myth Busting show?

23 A After the fact, all of it was reviewed by
24 compliance --

25 Q Okay.

1 Q Okay. So from 2008 up until now.

2 A 2010. Yeah, we didn't have --

3 Q 2010.

4 A Yeah.

5 Q I'm sorry. Yeah.

6 A 2010 to the present, you've understood that the
7 radio show was a source of clients for Bennett Group?

8 A Sure. Sure. And the radio show is clearly
9 promotional.

10 Q Okay.

11 A That's -- that's not in dispute.

12 Q Okay.

13 A But --

14 Q Is there anything else you wanted to say? You
15 wanted to say something about the advertising?

16 A That's -- that's what I wanted to say.

17 Q Okay.

18 A As far as -- the -- the radio show is
19 concerned, it's -- it is promotional.

20 Q Okay.

21 A And in the business of financial advising, it's
22 about people knowing who you are and what you believe in,
23 and that's how you get clients.

24 Q Okay. So is it fair to say it was it was an
25 advertisement?

1 A I don't know that it -- it's fair to say it was
2 promotional.

3 Q Okay.

4 A And -- yeah.

5 Q Are you aware of anyone, Ms. Bennett or anyone
6 else at Bennett Group Financial Services regarding it as
7 an advertisement?

8 A That I don't know.

9 Q Does -- you mentioned that the transcript --
10 I'm sorry. You mentioned that the audio was reviewed by
11 the compliance function at Western International.

12 A That is correct.

13 Q Okay. Never by Royal; right?

14 A We did not have a radio show when we were at
15 Royal.

16 Q Fine. So we're only talking now about Western
17 International?

18 A That is correct.

19 Q Why did Western International want to review
20 the audio transcript -- I'm sorry -- the audio of their
21 radio show?

22 A Sure. Like any -- any sort of appearance that
23 you want to post or disseminate --

24 Q Right.

25 A -- after the fact --

1 Q Okay.

2 A -- and I've read our answer on it. I don't
3 recall her ever saying --

4 Q Let me ask you, what currently -- you're an
5 owner of the firm; correct?

6 A Yes.

7 Q What is your current title at the firm?
8 Financial advisor and --

9 A Chief operating officer.

10 Q Chief operating officer. So you're an officer
11 of the firm; correct?

12 A Three officers in a firm of four.

13 Q Okay. What's the current assets under
14 management of the firm?

15 A Brokerage assets?

16 Q However you define that term.

17 A Okay.

18 Q What's the -- what's the number?

19 A Somewhere around 45 million.

20 Q Forty-five million.

21 A Those are brokerage assets at Western
22 International. There are other assets that I -- I don't
23 know. I don't see.

24 Q Okay.

25 A Things that are held away, things that are in

1 pension plans, are held at -- at the companies.

2 Q Okay.

3 A And annuities, I don't see any of the insurance
4 business.

5 Q So as far as you know, the assets managed or
6 the assets under manage -- by "assets managed" and
7 "assets under management," do you understand those terms
8 to be the same?

9 A Yes.

10 Q Okay. And as far as you know, the current
11 number is 45 million?

12 A Brokerage assets, yes.

13 Q Brokerage assets. And there's other assets
14 that you know are there, but you don't know the numbers;
15 is that fair?

16 A Correct.

17 Q Okay. Can you give me an estimate of what the
18 total would be?

19 A I absolutely cannot.

20 Q Okay. Have you ever had a discussion with Ms.
21 Bennett about what the total number was?

22 A A long time ago, I had a discussion with Brad
23 Mascho about --

24 Q Okay.

25 A I wanted to know what we had -- had in

1 insurance or in pension assets because there were monthly
2 trails that were showing up on the Commission report.

3 Q What --

4 A And I didn't know where they were coming from
5 so --

6 Q And what was the amount of the monthly trails?

7 A I don't remember. It was -- I don't remember.

8 Q Can you --

9 A It was many, many years ago.

10 Q Can you give me an estimate? It was more than
11 \$10?

12 A Oh, yeah.

13 Q Yeah.

14 A Absolutely. It was -- you know, but it was
15 less than \$20,000 a month, somewhere --

16 Q Okay.

17 A You know, I mean, this -- that's a wide berth,
18 I know, but it should -- you've got sales blotters or
19 Commission statements. It's very easy to look up.

20 Q Okay. So what did you and Mr. Mascho speak
21 about?

22 A I asked him what that was.

23 Q Yeah.

24 A And he said those were trails. I remember
25 specifically we spoke of Dimension Data. I don't

1 remember how much it was, but I remember it being
2 substantial enough to -- to make me wonder what it was.

3 Q Okay.

4 A But a company of that size, I would have
5 expected it to be more. And that's when I found out that
6 we're paid -- we were paid ten basis points on those
7 assets, so that -- that explained why it was not a huge
8 amount but it was still substantial.

9 Q And did you say they were insurance products
10 or --

11 A There was -- it was a variable annuity --

12 Q Okay.

13 A -- through Lincoln National.

14 Q Okay.

15 A That -- that was their pension plan.

16 Q So did Mr. Mascho ever identify a total number
17 or, you know, even if it's a subtotal for just those
18 assets that were under management?

19 A For the pension plans?

20 Q Yeah.

21 A Yes.

22 Q What did he say?

23 A We needed that for the ADV filing.

24 Q And what did he say it was?

25 A At least at that time, it was 50 -- 56 or 65

1 million, one of those two. I don't remember.

2 Q And when did you have that conversation with
3 Mr. Mascho?

4 A It was May of 2000 -- 2009.

5 Q Okay. Okay. So I understand that you only
6 have firsthand knowledge of the brokerage assets;
7 correct?

8 A That's correct.

9 Q Did you understand them to be under management?

10 A Yes, I did.

11 Q Okay. And so you said it's currently 45
12 million. What was it approximately in 2013?

13 A I don't -- I don't know.

14 Q What about 2012?

15 A I don't know.

16 Q What about 2011?

17 A I don't know.

18 Q What about 2010?

19 A The only thing I remember is the high point,
20 which was right around 400 million, which was in 2009.

21 Q Okay.

22 A I think 2009. Maybe early '10. I don't
23 remember, but I remember that being the high mark.

24 Q So in 2009 or perhaps early 2010, it was around
25 \$400 million?

1 A Yes.

2 Q All right. And when did that begin?

3 A Well, I need to -- we need to establish a
4 baseline first --

5 Q Okay.

6 A -- before I can --

7 Q Yeah, how many hours a week did she typically
8 work during, say, the 2010 to 2014 time period?

9 A 2010 to 2014?

10 Q Yeah.

11 A Fifty to 60 in the office, and then I still get
12 emails in the middle of the night.

13 Q Okay. And has that increased more in recent
14 times?

15 A In the past -- in the past year, probably even
16 more than that --

17 Q Okay.

18 A -- just because we are so short-staffed in the
19 office, and there are more things to do. We have to
20 rebuild so --

21 MR. RINALDI: I'm going to put in front of you
22 what we'll mark as No. 40.

23 (SEC Exhibit No. 40 was marked for
24 identification.)

25 MR. RINALDI: Here you go. You can take the

1 marked one.

2 THE WITNESS: Okay.

3 BY MR. RINALDI:

4 Q Have you seen this document before?

5 A Yes, I have.

6 Q What is it?

7 A It's the policies and procedures manual for the
8 registered investment advisory.

9 Q Who authored it?

10 A It was -- it was written by Compliance Advisory
11 Services.

12 Q Okay.

13 A And it was modified by me.

14 Q And how did you modify it?

15 A I had to tailor it to us specifically, and I
16 don't remember what the changes were exactly. Minor
17 things. Is there a page you want me to look at?

18 Q Yeah, I would like you to turn to page 6.

19 There's a heading, "Supervision."

20 A Okay.

21 Q It says, "Tim Augustin -- " if you look third
22 paragraph down --

23 A I see it.

24 Q " -- is the designated chief compliance officer
25 for Bennett Group Financial Services." Do you see that

1 there?

2 A I do.

3 Q And that's 'a' -- that's a true statement;
4 correct?

5 A Yeah, this is -- this is the supervisory policy
6 and procedure manual for the registered investment
7 advisory, not for Bennett Group Financial Services, LLC.
8 There is a distinction.

9 Q Okay. Was -- was Ms. Bennett wearing her
10 advisor hat in any respect during her Financial Myth
11 Busting program?

12 A I don't know what that means.

13 Q Did she ever mention during the radio program,
14 to your recollection, that Bennett Group Financial
15 Services was a registered investment advisor?

16 A Not to my knowledge.

17 Q If she had, would you have wanted to conduct a
18 review of the audio recordings of that program?

19 A I don't -- I don't think that it -- I can't
20 imagine that she said that and I --

21 Q Okay.

22 A I'll tell you why she wouldn't, because we
23 didn't put anybody in the RIA platform unless we
24 absolutely had to. There was one client on the RIA
25 platform, and that was because, at the time, Royal

1 and Omega World Travel. That was the only reason we
2 opened it.

3 Q And so that was the only type of advisory
4 clients that Bennett was seeking to obtain?

5 A For the RIA, that's correct, until we opened
6 the mutual fund. And then once we -- once we had the
7 RIC, then that facilitated us to -- we withdrew the
8 registration as pension consultant and we had the RIC.

9 BY MR. RINALDI:

10 Q If you look at the fourth paragraph on page 6
11 of No. 40, it says, "The chief compliance officer may
12 delegate certain supervisory responsibilities to other
13 qualified supervised persons of advisor." Do you see
14 that there?

15 A I do.

16 Q Did you ever delegate any supervisory
17 responsibilities to any other person?

18 A There was nothing to delegate.

19 Q I'm just asking --

20 A Yeah, so no.

21 Q No, okay.

22 A No, I have no idea what -- there was -- there
23 was one client. I handled her trades. I did most of the
24 correspondence with her, so there was nothing to
25 supervise. And we were covered because of -- because we

1 were all registered representatives of the broker-dealer,
2 they came in, and they went through all of our RIA
3 paperwork, all of our books and records.

4 Q Did you -- in your capacity as chief compliance
5 officer of the advisor, did you ever go through any
6 compliance checklist?

7 A Yes.

8 Q Okay. Can you explain that, what you did?

9 A It was a long time ago. Everything -- things
10 were outlined in this particular manual.

11 Q Meaning Exhibit 40?

12 A Yeah, Exhibit 40. And I went through -- there
13 wasn't -- there wasn't much to test.

14 Q Right.

15 A So, you know, there were -- there were
16 checklists. I remember checking things off, making sure
17 that all the paperwork was there --

18 Q Okay.

19 A -- that she received her -- her offer of an
20 ADV.

21 Q Okay.

22 A Every year that she or one client received the
23 privacy policy --

24 Q Yes?

25 A I don't remember what else there was, but there

1 were -- you know, and I updated the manual every June or
2 July.

3 Q Did you perform an annual compliance review?

4 A I -- I don't know.

5 Q Did you perform any periodic compliance review?

6 A If you mean compliance review --

7 Q Do you -- do you know what "compliance review"
8 means?

9 A Yeah, there's a checklist that -- that we --
10 that we established with the help of Compliance Advisory
11 Services, but things got -- my -- my head is -- is a
12 little confused because everything was changed in 2011
13 when we had a new -- a new person come in and revamped
14 our compliance.

15 Q During the time when you were the chief
16 compliance officer?

17 A This was during --

18 Q Right..

19 A -- the time, yeah.

20 Q Yeah, did you ever perform an annual or other
21 periodic compliance review?

22 A In as far as I understand that, yes.

23 Q Okay. And tell me what you did to do that
24 annual or other periodic compliance review?

25 A I've just told you.

1 Q Did the checklist?

2 A The checklist.

3 Q Anything else?

4 A There -- no, there was nothing else to do.

5 Q And did you ever seek advice from anyone about

6 what you needed to do in terms of an annual or other

7 periodic compliance review?

8 A Yes.

9 Q And from whom?

10 A Compliance Advisory Services.

11 Q And in particular, Ms. Bond?

12 A Ms. Bond.

13 Q Is there anyone else that you spoke to at

14 Compliance Advisory Services?

15 A Not once we engaged them.

16 Q Okay. Was there somebody otherwise at

17 Compliance Advisory Services?

18 A It was a partner, another principal --

19 Q Okay.

20 A -- of Compliance Advisory Services named

21 Laverne Zellman --

22 Q Okay.

23 A -- who was hired by Royal Alliance Associates

24 to come in and do an annual examination of Bennett Group.

25 Q Okay.

1 A And that's -- that's how I found out about
2 Compliance Advisory Services. I asked her if -- I told
3 her we were thinking about opening an advisory.

4 Q Right.

5 A Is that something she could help us with,
6 because she was a compliance person.

7 Q Right.

8 A Former chief compliance officer. She said,
9 "Well, there might be a conflict of interest, and so I'm
10 here giving you an examination now. But here's my
11 business partner."

12 Q Okay.

13 A "Give her a call." And so I called her.

14 Q So neither you nor Ms. Bennett nor Bennett
15 Group Financial Services received any advice from Ms.
16 Zellman?

17 A Other than to call her partner.

18 Q Other than to call her partner?

19 A That's correct.

20 Q And what advice did you receive from her
21 partner, who I assume is Ms. Bond --

22 A Ms. Bond, correct.

23 Q -- regarding your role as chief compliance
24 officer?

25 A She sent me periodic updates about the filings

1 that we needed to do. She facilitated and the ADV
2 updates and --

3 Q What did she facilitate?

4 A Updates and -- and re-filings and things like
5 that, filing of the ADV.

6 Q Okay. So other than helping you with the
7 filing of the ADV and sending you periodic updates -- I
8 assume that was about the industry generally?

9 A Yeah, I think so.

10 Q Okay.

11 A I guess.

12 Q Did she do anything else for you?

13 A She helped to craft this.

14 Q Meaning No. 40?

15 A Or sent -- sent a template for this, yes.

16 Q Okay. Sent a template for No. 40?

17 A Mm-hmm.

18 Q And you modified it in some way?

19 A Correct.

20 Q But you don't know how you modified it?

21 A There are just minor changes to tailor it
22 specifically to Bennett Group.

23 Q Okay. And anything substantive or, you know --

24 A I don't recall.

25 Q Okay. Anything else that she did?

1 A That's all I remember.

2 Q Do you recall ever asking her for any other
3 advice?

4 A I don't recall.

5 Q Do you receive -- recall receiving any advice
6 from her?

7 A I don't recall receiving any advice.

8 Q So is it fair to say that to your knowledge,
9 neither you nor Ms. Bennett or Bennett Group Financial
10 Services -- let me -- let me step back for a second.

11 We've been talking about you. I want to make
12 sure this is inclusive of Ms. Bennett and Bennett Group
13 Financial Services. Other than helping you with the
14 filing -- other than helping with the filing of the ADV
15 and sending these generalized industry updates --

16 A Mm-hmm.

17 Q -- did Ms. Bond provide any other services to
18 either you or Ms. Bennett or Bennett Group Financial
19 Services?

20 A Not to my knowledge. Not to my recollection.

21 Q And did anyone else from Compliance Advisory
22 Services provide any other advice or services to Bennett
23 Group Financial Services, Ms. Bennett or you?

24 A Not to my -- at Compliance Advisory Services,
25 no.

1 Q So there was never a circumstance, to your
2 knowledge, where anyone from Bennett Group Financial
3 Services got on the phone to Ms. Bond and said, "Hey, we
4 have a question about this particular topic. How would
5 you address it?"

6 A I don't remember.

7 Q Okay.

8 A I don't remember, but I -- as far as the annual
9 audits and things like that, the broker-dealer came in
10 and went through -- they did a compliance review of the
11 RIA as well. So --

12 Q So she had nothing to do with that?

13 A She had nothing. The broker-dealer did.

14 Q So is it fair to say that Ms. -- let me ask
15 you, did you pay for the industry updates, or were they
16 more sort of a marketing material by Advisory Compliance
17 Services?

18 A I don't know that I would characterize them as
19 marketing materials.

20 Q Okay.

21 A But they were -- they were unsolicited.

22 Q Okay. And did you ever rely on any of those?

23 A I don't remember.

24 Q Do you recall Ms. Bennett or Bennett Group
25 Financial Services ever relying on them?

1 A I don't recall.

2 Q Okay. Do you recall the subject matter of any
3 of them?

4 A I don't.

5 Q Okay. And to your knowledge, are these -- were
6 you the only firm to have received these industry
7 updates?

8 A I'm sure not.

9 Q Okay. So this is something that, to your
10 knowledge, Ms. Bond sends to clients or former clients or
11 prospective clients?

12 A Absolutely.

13 Q Much the way, say, a law firm might send out an
14 update regarding a new statute?

15 A Sure.

16 MR. RINALDI: Sure. So then is it fair to say
17 that the only service that Bennett Group Financial
18 Services or you or Ms. Bennett received from --

19 THE WITNESS: Dawn Bond?

20 MR. RINALDI: -- Dawn Bond or --

21 THE WITNESS: Compliance Advisory Services.

22 MR. RINALDI: -- Compliance Advisory Services is
23 with respect to the filing of the ADV?

24 MR. BRUCH: That's -- that's not what he
25 testified to. You just spent 10 minutes going over what

1 services, what the relationship was. Why do you need to
2 characterize it beyond that?

3 MR. RINALDI: Well, I'm just -- I'm asking --

4 MR. BRUCH: "Is there anything else?" is your
5 question.

6 MR. RINALDI: Is there anything else?

7 MR. BRUCH: Thank you.

8 THE WITNESS: Just what we've discussed.

9 BY MR. RINALDI:

10 Q Okay. And so what, then, was the time frame of
11 the services that she provided? When did they begin and
12 when did they end?

13 A They started in end of 2008 --

14 Q Right.

15 A -- and finished 20 -- beginning of 2011.

16 Q And -- and why did they end in 2011?

17 A Because I wasn't sure we were getting the best
18 advice. I wasn't sure we were getting everything that we
19 needed. So I contacted -- I contacted our
20 broker-dealer --

21 Q Okay.

22 A -- and asked if he knew anybody who was a
23 compliance person who could come and help us straighten
24 out the -- straighten out our compliance program if there
25 were any problems.

1 A It was a long time ago.

2 MR. RINALDI: Should we take a break for lunch?

3 MR. BRUCH: We should.

4 MR. RINALDI: Yeah, why don't we go off the
5 record?

6 (Whereupon, at 12:51 p.m., a lunch recess was
7 taken.)

8 A F T E R N O O N S E S S I O N

9 MR. RINALDI: We can go back on the record.

10 THE WITNESS: Excuse me.

11 MR. BRUCH: Michael, are we done with the --

12 MR. RINALDI: Yeah, he can put those to the
13 side. I'm going to put in front of you what has
14 previously been marked as No. 5. So this is a -- at the
15 top, Barron's.

16 THE WITNESS: Okay.

17 BY MR. RINALDI:

18 Q If you look here, there is a reference in the
19 title, Top 100 Women Financial Advisors. And you see
20 down there rank, five.

21 A Mm-hmm.

22 Q Right? For 2009, Dawn Bennett, Bennett Group,
23 Washington, D.C. Total team assets: 1,100. And you'll
24 see there, there is a reference. It's in millions. Do
25 you see that there?

1 A I do see that.

2 Q So that would be 1.1 billion; correct?

3 A That's how I read this, yes.

4 Q So is it the case that at that time, Bennett

5 Group Financial Services had total team assets of \$1.1

6 billion?

7 A It's possible.

8 Q Do you know what that is comprised of?

9 A I know that it's comprised of certain brokerage

10 assets.

11 Q Okay. Anything else?

12 A And apart from that, it would be assets held

13 away --

14 Q Okay.

15 A -- which would be annuities, insurance, things

16 like that.

17 Q Anything else?

18 A I think that there were some -- there were some

19 short-term cash monies that was -- that was being advised

20 on --

21 Q Okay.

22 A -- for various entities.

23 Q Do you know any of the entities?

24 A I believe Dimension Data --

25 Q Okay.

1 A -- was one.

2 Q Anything else?

3 A Omega World Travel was one.

4 Q Okay.

5 A Mount Vernon Ladies' Association was one.

6 Q Okay. And how do you know about Dimension
7 Data, Omega World Travel and Mount Vernon?

8 A Well, Dimension Data was one of the -- and
9 Omega Travel, Omega World Travel, were some of the trails
10 that came in.

11 Q Okay.

12 A So I know that the monies were there somewhere.

13 Q Right.

14 A And Mount Vernon I know because the CFO, his
15 name was Barton Groh. Barton Groh was a retail client of
16 Bennett Group. And we had -- we had some brokerage --
17 also some brokerage monies that was -- that was on our
18 platform at Royal Alliance at the time, I think.

19 Q Okay.

20 A And then later, Western. And -- yeah.

21 Q So are you able to put dollar figures with any
22 of these particular sources of assets?

23 A I can't.

24 Q Okay.

25 A I can't. The only thing I -- the only thing I

1 A The short-term monies.

2 Q The short-term monies.

3 A Cash, cash monies.

4 Q So those are the three buckets --

5 A Yes, correct.

6 Q -- we're talking about? And so how much were
7 the short-term monies?

8 A That I don't know.

9 Q Okay. So of the 700 million, approximately,
10 you can't categorize that as either --

11 A I can't.

12 Q Short-term monies are held away, assets?

13 A I can't bifurcate that at all.

14 Q And by "held away," to be clear, what we're
15 talking about is -- is assets that are not on the books
16 and records of the brokerage firm?

17 A Correct. And that's bucket two.

18 Q Right.

19 A And then bucket three is --

20 Q Cash.

21 A -- something that I can't speak to because I
22 don't know anything about it.

23 Q Okay. Did you ever have occasion to question
24 Ms. Bennett about representations that were made
25 regarding the amount of assets or assets under management

1 that Bennett Group Financial Services had?

2 A No.

3 Q Did you ever have occasion to have a discussion
4 with her regarding that subject?

5 A Not that I recall.

6 Q Did you ever have occasion to ask anyone at
7 Bennett Group Financial Services about any
8 representations that were being made about the amount of
9 assets managed or assets under management?

10 A I really didn't --

11 Q Okay.

12 A -- because all of that was --

13 Q Well, go ahead. Why not?

14 A Anything that -- nothing. I have nothing to
15 say.

16 Q Do you have any understanding as to why -- I'll
17 show you what's previously been marked as No. 6. This is
18 a document. It's headed Top 100 Independent Financial
19 Advisors --

20 A Okay.

21 Q -- 2009. And you'll see on here number 26 is
22 Dawn Bennett, Bennett Group Financial Services.
23 Location: Washington, D.C. So here, the number has gone
24 to \$1.3 billion. Do you see that there? It says 1300,
25 and there's an indication that that's in millions of --

1 do you see at the bottom here?

2 A I do.

3 Q Okay.

4 A There seems to be some error because this --
5 this --

6 Q Right.

7 A -- comes from this.

8 Q Okay.

9 A There was -- there was no other submission.

10 MR. BRUCH: When you say "this," you mean --

11 THE WITNESS: I mean the women financial
12 advisors came from -- came from the database that created
13 the independent financial advisors.

14 MR. RINALDI: Okay.

15 THE WITNESS: So I don't understand why --

16 MR. RINALDI: Why there's a discrepancy --

17 THE WITNESS: Why there is a discrepancy.

18 MR. RINALDI: -- between 1.3 and 1.1.

19 THE WITNESS: Correct.

20 MR. RINALDI: Okay. Let me show you another
21 document. This is what we've marked previously as No. 7.

22 This is 2011 Top Advisor Ranking, Washington, D.C.

23 BY MR. RINALDI;

24 Q Now, by "advisor" do you understand that to
25 mean investment advisors?

1 A I do.

2 Q Okay. So here --

3 A Excuse Me.

4 Q -- Dawn's number two, Bennett Group Financial
5 Services, LLC. Location: Washington. And it shows the
6 total assets at 1.8 billion. Do you see that there?

7 A I do.

8 Q Okay. Do you have any understanding as to
9 whether the \$1.8 billion number is correct --

10 A I have no idea.

11 Q -- as of 2011?

12 A I have no idea.

13 Q Did you -- did you understand yourself to have
14 any responsibility for claims that were made about the
15 amount of assets under management by Bennett Group
16 Financial Services, LLC?

17 A Everything that we -- anything that was
18 supplied -- anything that was supplied to any -- Barron's
19 or anybody --

20 Q Right.

21 A -- should have gone through the broker-dealer
22 for verification and approval.

23 Q To be clear, Bennett Group Financial Services,
24 LLC, was duly registered as a broker-dealer?

25 A Was duly.

1 Q And an investment advisor; right?

2 A Correct.

3 Q So this reference to Bennett Group Financial
4 Services, LLC, in 2011 is also to investment advisor
5 Bennett Group Financial Services, LLC; correct?

6 A I guess that's true.

7 Q And the document has a heading 2011 Top Advisor
8 Rankings, which a few moments ago you testified was a
9 reference to investment advisors; correct?

10 A Yeah.

11 Q Okay. So my question is to you, did you
12 understand yourself to have any responsibility for the
13 accuracy of representations that were made about the
14 amount of assets that Bennett Group Financial Services,
15 LLC, had under management?

16 A This is -- this is the first I've actually seen
17 this.

18 Q Okay.

19 A Yeah, okay. This is not representative of the
20 assets that were certainly on the advisor.

21 Q Okay. My question to you is, did you
22 understand yourself to have any responsibility for the
23 accuracy of representations about the amount of assets
24 under management that Bennett Group Financial Services
25 had?

1 A I guess I was responsible for some of that,
2 yes.

3 Q Okay. And did you discharge that
4 responsibility?

5 A I don't remember. Like I said, I've never --
6 I've never seen this before, this 2011.

7 Q Did you ever make any efforts to confirm the
8 accuracy of any representations made about Bennett Group
9 Financial Services' assets or assets under management?

10 A I was -- it was always very clear to me that
11 the assets on the brokerage side and in -- in bucket two,
12 I verified with -- with Brad Mascho what was in the
13 pension side. And then in bucket three were funds that
14 were -- that Dawn advised on that were outside.

15 Q Okay. And what did you do to verify it with
16 Mr. Mascho?

17 A Well, we took the trails.

18 Q Okay.

19 A And I found out once I figured out what -- what
20 it was --

21 Q Right.

22 A -- I reversed it, and I found out from him
23 what the -- what the payment was, which was ten basis
24 points --

25 Q Right.

1 A -- and 35 basis points, respectively, for
2 Dimension Data and for --

3 Q Okay.

4 A -- Omega World Travel. And I reverse
5 engineered them to come up with -- it was somewhere
6 around 45 or 48 million. This is years ago now, 48 or 40
7 -- 5 million for --

8 Q Okay.

9 A -- Dimension Data and another 10 for Omega.

10 Q Okay. And so that would be roughly in the time
11 frame that we're discussing here, this 2009 to 2011 time
12 frame? Fair?

13 A It absolutely was in May of 2009.

14 Q Now, why did you go about verifying this
15 through reverse engineering? Why not just find out what
16 the amount of assets under management were for Dimension
17 Data and Omega World Travel?

18 A Because at the time, I didn't know how to do
19 that.

20 Q Okay. Did you ask anybody?

21 A I asked Brad what those -- what those assets
22 were and he told me.

23 Q And he told you it was 45 to 48 million for
24 Dimension Data?

25 A He gave me ballparks, and then I verified

1 through reverse engineering.

2 Q Okay.

3 A But there were -- I found out after the fact
4 that there actually were quarterly statements --

5 Q Okay.

6 A -- that were sent to the broker-dealer --

7 Q And when did he learn that?

8 A -- that -- that I could have -- a couple of
9 years later.

10 Q Okay. But you didn't look at those at the
11 time?

12 A They're at the broker-dealer.

13 Q Okay.

14 A So I -- there was no -- there was no need for
15 me to do it.

16 Q Okay.

17 A Because by that time, I was no longer -- that
18 would have been after I relinquished my duties as chief
19 compliance officer for the firm --

20 Q Okay.

21 A -- for the advisory.

22 Q So I'm looking here between Dimension Data and
23 Omega World Travel, at most, \$58 million. Fair?

24 A Sure.

25 Q And you testified in this 2009 to 2011 time

1 frame, there was about \$400 million in brokerage assets?

2 A Correct.

3 Q Although it declined from 2009?

4 A Yeah.

5 Q So at most, in that time frame, it was about
6 \$400 million; correct?

7 A Correct.

8 Q Okay. So, you know, my math gets me to 458.

9 Okay?

10 A Sure. I --

11 Q So how do we get the 1.8 billion?

12 A Like I said, there -- there was a third bucket.

13 Q Okay. Of cash?

14 A Of cash, correct.

15 Q Okay. So the cash would be the only possible

16 source --

17 A Yes.

18 Q -- for the remaining amount?

19 A Absolutely.

20 Q Okay. So -- so my math gets me to -- let's

21 see. So we have 400 plus 58. That's 458, something like

22 \$1.3 to \$1.4 billion of cash; right?

23 A Sure.

24 Q Okay. So was there \$1.3 to \$1.4 billion of

25 cash that she was providing advice about?

1 A I don't know.

2 Q That's a large number, 1.3 and 1.4.

3 A Indeed it is.

4 Q Did you have any understanding as to whether it
5 was even in that ballpark?

6 A I have no idea.

7 Q Okay. So during this time frame, 2009 to 2011,
8 you were the chief compliance officer for the firm?

9 A For the advisor.

10 Q For the advisor, yes.

11 A Correct.

12 Q And you understood it was your responsibility
13 to confirm representations that were being made such as
14 the ones in No. 5 and 6 and 7; correct?

15 A Correct.

16 Q Okay. So in order for the representation in
17 No. 7 to be correct, right, the cash amount as you
18 understand it would have to be somewhere in the
19 neighborhood of \$1.3 to \$1.4 billion; correct?

20 A According to that math, yes.

21 Q Okay. So is there any other math that would
22 apply?

23 A No.

24 Q Okay. So it would have to be somewhere in the
25 realm of \$1.3 to \$1.4 billion. And sitting here today,

1 it's your recollection that you have no understanding if
2 it was even in that ballpark?

3 A I -- this is the first time that I've seen this
4 \$1.8 billion.

5 Q Have you ever heard of any claims by Ms.
6 Bennett that Bennett Group Financial or any claims by
7 anyone that Bennett Group Financial Services managed or
8 had assets under management in excess of \$1 billion?

9 A I do not recall her saying that, but I do
10 recall seeing it in a transcript that was provided to the
11 SEC.

12 Q Okay. And what was that a transcript of?

13 A The radio show.

14 Q Okay. And is that something that at the time
15 you recall hearing on the radio show or was the --

16 A I --

17 Q -- transcript the first time you recall seeing
18 that?

19 A I don't recall hearing it on the radio show.

20 Q Okay. Prior to the institution of this
21 investigation, were you ever aware of any claims by
22 Bennett Group Financial Services regarding the amount of
23 assets it had or assets under management or assets
24 managed?

25 A Was I aware of --

1 Q Were you aware of --

2 A -- any claims?

3 Q -- any claims by Dawn Bennett or Bennett Group
4 Financial Services regarding assets or assets under
5 management or assets managed?

6 A Yes.

7 Q Okay. And what were you aware of?

8 A I was aware of this 1.1 billion.

9 Q Okay. So there -- so there was a circumstance
10 where you were aware of --

11 A Of there being --

12 Q -- a representation that was north of \$1
13 billion?

14 A Of there being -- yes.

15 Q And -- and --

16 A From a third bucket of funds.

17 Q And to be clear that that, what you said, what
18 we're talking about, we're talking about the
19 representation in No. 5?

20 A Correct.

21 Q Correct? So even there, \$1.1 billion, right,
22 if you subtract out the \$458 million, which is the
23 Dimension Data and Omega World Travel numbers and the, at
24 the most, the brokerage assets; right? You're still in
25 the neighborhood of about, you know, \$600 million.

1 A Six hundred.

2 Q What did you do to verify that there was \$600
3 million of cash being held?

4 A I -- I never said it was being held.

5 Q I'm sorry.

6 A I said "being advised on."

7 Q Being -- being advised on.

8 A I asked -- I asked Dawn.

9 Q Okay. And what did Dawn tell you?

10 A She said that -- that she was handling short-
11 term monies for -- for some of the -- our larger
12 corporate clients -- corporate clients.

13 Q And did she mention who in particular?

14 A She may have. I'm pretty sure she would have.

15 Q Okay. And you know which one she identified?

16 A It would have been the ones in question,
17 Dimension Data particularly. I don't know that we
18 concerned ourselves much with Omega World Travel.

19 Q How about Mount Vernon Ladies' Association?

20 A Did a lot with Mount Vernon, so she may have
21 mentioned that but --

22 Q But you don't recall?

23 A Not specifically.

24 Q Did you ask to see any documentation?

25 A I don't remember.

1 MR. RINALDI: Did you --

2 MR. MCGLYNN: See any --

3 MR. RINALDI: Yeah, go ahead. I'm sorry.

4 BY MR. MCGLYNN:

5 Q Did you see any fees coming in the door as a
6 result of that money?

7 A I did not.

8 Q Did you inquire about that?

9 A I don't remember if I did or not.

10 Q Do you recall, sitting here today, thinking
11 about that?

12 A Just now as you asked the question.

13 Q Okay. So at the time, you didn't -- you don't
14 recall thinking about there was no money coming in the
15 door as a result of this money being managed?

16 A I really didn't concern myself with that. I
17 had no reason to question what I was being told.

18 BY MR. RINALDI:

19 Q Do you have any understanding as to why, for
20 purposes of these lists, such as we are seeing on 5, 6
21 and 7, you might want to have a number for assets that's
22 higher than other investment advisors?

23 A Do I understand why that would be --

24 Q Yeah, is there certain benefit that comes to
25 the firm from having a higher number? So if you look at

1 A Yeah, it was a --

2 Q Right.

3 A It was a shocker.

4 Q Right. So when -- now, I think a few moments
5 ago, you said you were not aware of No. 7 prior to
6 today's testimony?

7 A I -- this -- this is the first time I've seen
8 this.

9 Q Okay. So why --

10 A I was aware of -- I was aware of --

11 Q Yeah.

12 A -- something because we were contacted by Mr.
13 Goins --

14 Q Okay.

15 A -- about -- and by this time, I was out of the
16 loop.

17 Q Okay.

18 A But I remember there being another advisor
19 ranking that came out. And I assumed -- I assumed that
20 it was a vestige of 2009. I have never seen 2011.

21 Q Okay. So when you go back to, say, Exhibit No.
22 5, right --

23 A Okay.

24 Q -- this is the one from 2009 or also the one
25 from No. 6, also from 2009, were you aware of these in

1 2009?

2 A I was aware of these in 2009, the women's one.

3 Q Okay.

4 A The \$1.1 billion.

5 Q So is it -- is it your testimony that it was a
6 shocker to see Bennett Group Financial Services appear on
7 these lists?

8 A Yeah, yeah, I didn't think that we were -- I
9 didn't think that, being a new firm, that we were -- that
10 we would have made it.

11 Q And is that because you weren't big enough?

12 A No, just because we weren't in existence long
13 enough.

14 Q Okay. But presumably a firm that just started
15 that was big and successful could make these lists;
16 correct?

17 A Maybe. I didn't know -- to be -- before 2009,
18 I didn't know anything about these lists. The only --
19 the only interaction I ever had with this was I went to a
20 Rick Edelman seminar, and he had just talked about being
21 on the list. That was the first I'd ever even heard of a
22 Barron's list.

23 Q Did you ever --

24 A That was 2007 or '08.

25 Q In the 2009 to 2011 time frame, did you have

1 Q Okay. So -- so did you -- do you have a
2 recollection of having seen No. 5 and No. 6 in 2009?

3 A I've seen No. 5.

4 Q Okay.

5 A I don't remember when. No. 6 is a screen
6 print, so, you know, I probably saw it in the Barron's --

7 Q Okay.

8 A -- itself, not this specific exhibit.

9 Q So you've seen it. You've seen the data that's
10 in No. 6?

11 A Yes.

12 Q Maybe not in this -- this layout?

13 A Yes.

14 Q Okay. So if you look at the \$1.3 billion
15 number that's referenced in No. 6, do you recall, if you
16 had any reaction, what your reaction was to that when you
17 saw it in 2009?

18 A I didn't really have a reaction because I was
19 just so surprised that we were 26th.

20 Q Okay. But -- so you had no reaction to the
21 number in that column?

22 A I didn't.

23 MR. RINALDI: Okay.

24 BY MR. MCGLYNN:

25 Q Did you ask how you were able to get to 26?

1 A As I stated before, there were -- there were
2 three buckets of money. I knew about the first bucket.

3 MR. RINALDI: Right.

4 THE WITNESS: And that -- that I verified and
5 passed on. And I knew that Brad had some. He did his
6 calculations and did it and then either he and Dawn or
7 Dawn added a third bucket because I know for -- I know
8 that she definitely knew about it, and I assume Brad knew
9 about it too, but I can't attest to that in the
10 affirmative.

11 BY MR. RINALDI:

12 Q And this is that large bucket of cash money;
13 right?

14 A Correct.

15 Q So in even at the \$1.1 million level -- billion
16 -- I'm sorry -- \$1.1 billion level, this would account
17 for hundreds of millions of dollars?

18 A Sure.

19 Q Right? And besides asking Ms. Bennett if that
20 number existed, did you do anything else to verify that?

21 A No.

22 Q Okay.

23 A That's all I did to verify.

24 MR. BRUCH: Can I --

25 MR. RINALDI: Yes.

1 MR. BRUCH: Can I talk to the client for a
2 minute?

3 MR. RINALDI: Sure. We can go off the record.

4 (A brief recess was taken.)

5 MR. RINALDI: We can go back on the record.

6 THE WITNESS: Okay. Great.

7 MR. RINALDI: I'm going to put in front of you
8 what's previously been marked as No. 9.

9 THE WITNESS: Okay.

10 BY MR. RINALDI:

11 Q Have you seen this document before?

12 A Is there a date for this?

13 Q I will show you something that may help you.

14 A Okay.

15 Q If you go to page -- beginning of question
16 number 50 and you see question number 61 about two-thirds
17 of the way down total team assets.

18 A 1.8.

19 Q \$1.8 billion.

20 A Okay. So this was --

21 Q Yeah.

22 A -- the 2011? No, I haven't seen this.

23 MR. RINALDI: How did the Barron's information
24 come about?

25 THE WITNESS: Barron's information?

1 MR. RINALDI: Yeah.

2 THE WITNESS: From 2009 or --

3 MR. BRUCH: The application process.

4 THE WITNESS: -- 2011?

5 MR. BRUCH: Go back to the beginning of the
6 application process.

7 THE WITNESS: Okay.

8 MR. BRUCH: Whose idea was it?

9 THE WITNESS: It was probably my idea because I
10 had gone to a Rick Edelman --

11 MR. RINALDI: Okay.

12 THE WITNESS: -- Rick Edelman seminar, and he
13 was talking about it.

14 MR. RINALDI: Okay.

15 THE WITNESS: And I thought, well, that might
16 be something we might be interested in, so I mentioned it
17 to Dawn. And I remember her kind of pooh-poohing it
18 because Marvin McIntyre was always at the top. And she
19 thought it was a bunch of garbage.

20 MR. RINALDI: Right.

21 THE WITNESS: And then that was it for a while.

22 MR. RINALDI: Right.

23 THE WITNESS: And a few months later, I got an
24 email from her saying, "I got this." Can you fill it
25 out? And it was a link to the 2009 questionnaire, so it

1 must have been 2008 that I got it.

2 MR. RINALDI: Okay.

3 THE WITNESS: And so I filled it out --

4 MR. RINALDI: Right.

5 THE WITNESS: -- with all the information I had.

6 MR. RINALDI: Right.

7 THE WITNESS: I asked operations to compile a
8 retention number so that we could fill that out because I
9 -- I didn't have that number.

10 MR. RINALDI: Yeah.

11 THE WITNESS: So they filled the -- Katie did
12 the clients' beginning of year versus who left --

13 MR. RINALDI: Yeah.

14 THE WITNESS: -- for retention purposes. I
15 filled out as much of it as I could and then -- which
16 included brokerage assets.

17 MR. RINALDI: Yeah.

18 THE WITNESS: And then I passed it on to -- to
19 Brad because I knew he had assets that -- that I didn't
20 know about that he could easily look up or look up easier
21 than I could, more easily than I could. And then to the
22 best of my knowledge, it went to Dawn. And she added the
23 assets that she had been advising on and then it was
24 submitted.

25 BY MR. RINALDI:

1 help and input on it or not.

2 BY MR. RINALDI:

3 Q Now, do you know for a fact that Mr. Mascho
4 submitted it?

5 A It was Dawn or Brad. It had to have been one
6 of those two.

7 Q One of those two. Did you -- did you review
8 the materials before it went into Barron's?

9 A Not before submission. No, I didn't because I
10 had done everything that I knew --

11 Q Okay.

12 A -- to do.

13 Q And you understood this -- you went to the
14 Edelman seminar?

15 A Mm-hmm, I did.

16 Q You suggested this --

17 A I did.

18 Q -- to Ms. Bennett because it was advertising
19 for the firm; right?

20 A It's certainly promotion for the firm.

21 Q Okay.

22 A It was more curiosity than anything. That's
23 why I suggested it.

24 Q And before that was submitted, whether it was
25 by Mr. Mascho or Ms. Bennett or whomever submitted it,

1 there, and I'm asking you whether or not, as the chief
2 compliance officer of that advisory firm, you have a
3 responsibility to make sure that those numbers were
4 correct?

5 MR. BRUCH: I think he already said that.

6 THE WITNESS: And I did -- I did verify to the
7 best of my ability that the numbers for the 2009 were
8 correct.

9 BY MR. RINALDI:

10 Q Going back to No. 9, have you ever seen 9
11 before?

12 A No, this is the first time.

13 Q All of these numbers to Barron's, whether it's
14 \$1.1, \$1.3 or \$1.8 billion, those were self-reported by
15 somebody at Bennett Group Financial Services; correct?

16 A Correct, they would have been, yes.

17 Q So would it be fair to say that both Barron's
18 and its readership had an expectation that the numbers
19 that were being provided to them were correct?

20 A I would think so, and I don't know that they're
21 incorrect.

22 Q Was it important to you as a three percent
23 owner of the firm what the size of the assets of Bennett
24 Group Financial Services were?

25 A No.

1 Q So it made no difference to you whether it had
2 \$1.8 billion in assets under management or \$20?

3 A It could have had \$6 trillion. It wouldn't
4 have made a difference to me.

5 Q I'm going to show you No. 10.

6 A Except that maybe I'd be able to hire some more
7 help.

8 Q Excuse me. I'm sorry. No, I'm sorry. What
9 did you say?

10 A I said, "Except maybe I might be able to hire
11 more staff if I had \$6 trillion in assets."

12 Q I'll show you what's previously been marked as
13 No. 10. This is an email message from Bradley Mascho to
14 Dawn Bennett, dated September 13, 2010. So if you look
15 here, second paragraph, second sentence, "We now manage a
16 little over \$1.6 billion AUM."

17 A Okay.

18 Q Do you see that there?

19 A I do.

20 Q You see at the top there is a reference to
21 Connie.

22 A Okay.

23 Q Do you see that there? Do you know who that's
24 a reference to?

25 A I have no idea.

1 Q Have you ever seen this document before?

2 A I have not seen this document before.

3 Q Sitting here today, do you think it was a true
4 statement that Bennett Group Financial Services managed a
5 little over \$1.6 billion AUM in September of 2010?

6 A I don't know. All I can -- all I can tell you
7 is we did not have that sort of number on the brokerage
8 side. I don't know what was -- I don't know what was
9 held away or what was otherwise advised on.

10 Q And that's because the last time you knew about
11 that was to prepare the 2009 numbers for Barron's when
12 you got the 45 to 48 --

13 A That was -- that was Dimension.

14 Q Half-million dollar number for Dimension --

15 A And then there was Omega.

16 Q -- and 10 million for Omega; correct?

17 A Correct.

18 Q Okay. So after that time frame, you didn't
19 know anything about the assets held away or the cash
20 assets?

21 A I knew there was some. I just didn't know
22 what --

23 Q Right.

24 A Before that, I didn't know what the number was.

25 Q And you knew that there were some because why?

1 A Because I knew that we had held away because I
2 had asked about them.

3 Q Right.

4 A And when the Barron's came out and I asked
5 about the 1.1, I was told about the other cash monies.
6 That's how I knew about that. So I knew there was
7 something.

8 Q Do you have any understanding as to whether or
9 not Bennett Group Financial Services continued to make
10 representations about assets under management after 2009
11 in whatever format, whether it was Barron's or some other
12 forum?

13 A Do I know if they did?

14 Q Yeah.

15 A I honestly don't know if they did or not.

16 Q Let me show you -- it's been marked, so this is
17 No. 11.

18 A Okay.

19 Q Have you seen this document before?

20 A I don't know if I have or not because I don't
21 know for whom it's directed. But I have seen the
22 template before.

23 Q And what is the template?

24 A It is for prospective clients.

25 Q Okay. So something in this format would be

1 handed out to prospective clients of Bennett Group
2 Financial Services?

3 A. The broker-dealer, correct.

4 Q Okay. But not the investment advisor?

5 A We didn't put anybody in the investment
6 advisory. The only person we had was Robin Mayor, and
7 that was because we couldn't have her on the brokerage
8 side.

9 Q Okay. Did you have any understanding as to
10 whether or not -- well, let me ask you -- restart.

11 No. 11, is this an advertisement?

12 A No, I don't think so.

13 Q Why is it not an advertisement?

14 A Because it's intended for a single individual.

15 Q Okay. Was the particular content geared to a
16 particular individual?

17 A It should have been.

18 Q Okay. And to the extent it isn't, would it
19 constitute an advertisement?

20 A It might.

21 Q Okay. So if you look at page 5 of 27, this
22 one, you'll see at the bottom, there is a copyright of
23 2011. It says, "With over -- " it's in that second
24 paragraph in that box right in the middle. It says,
25 "With over \$1.5 billion in assets under management, BGFS,

1 Bennett Group Financial Services --

2 A Mm-hmm.

3 Q " -- is fast becoming the 'gold standard' for
4 financial advisors in America and the world." Do you see
5 that there?

6 A I do.

7 Q Do you have any understanding as to whether or
8 not, in 2011, that was a true statement?

9 A I have no reason to believe it wasn't.

10 Q Okay. Do you have any understanding as to how
11 that \$1.5 billion was constituted?

12 A It would have been brokerage assets plus assets
13 held away plus any -- any other funds that were advised
14 on.

15 Q And by that, you mean the short-term cash
16 funds?

17 A Correct.

18 Q And nothing else, to your knowledge?

19 A Not that I can think of.

20 Q In 2011, did you understand that you had the
21 responsibility to review materials like No. 11 for
22 accuracy?

23 A This was a submission. All of these were
24 submitted to compliance at the broker-dealer because this
25 is for a brokerage client.

1 BY MR. RINALDI:

2 Q What's the sum total of what you knew about the
3 pension consulting?

4 A I've testified to that. It was \$56 or \$58
5 million that we had with Dimension Data and Omega World
6 Travel. And then there was something that we did with
7 Mount Vernon, but I don't know -- I don't know to what
8 capacity that was.

9 Q Okay. And did you verify -- I know I asked you
10 about your verification. Did you verify them before the
11 submission of the application of the ADV to the
12 Commission?

13 A I verified it insofar as I asked the individual
14 that was responsible for maintaining those relationships.

15 Q And that was?

16 A Brad.

17 Q Okay. And what did you and Brad discuss
18 regarding that?

19 A Again, we were having problems with the 407
20 letter. And we were talking about -- somehow -- somehow,
21 the pension consultant thing came up. I don't know if
22 Dawn Bond recommended it or if -- I know -- I don't think
23 Cadwalader recommended it, because that wasn't on the
24 table at the time. Oh, sorry. Or if it was something
25 that I saw in the ADV and thought okay. Well, I know we

1 A No.

2 Q Okay.

3 A That was 2010. I don't know why 2008 keeps
4 coming up with Myth Busting.

5 Q How about financial writing and publications?
6 Do you know what that accounted for?

7 A She did some articles.

8 Q Okay.

9 A She always has done articles.

10 Q And did you do anything to verify the
11 information set forth in those?

12 A Actually, everything that she published went to
13 compliance at the broker-dealer. As a registered
14 representative that was -- that was the process.

15 Q But not -- but you did not do anything to
16 verify it?

17 A No, I relied on the broker-dealer's compliance
18 department to do it. That was verification for me
19 enough.

20 Q Other than what you've testified, do you recall
21 the content of any other communications with Dawn Bond?

22 A Do I recall? No, I don't.

23 Q Did you ever have -- earlier on, I asked you
24 about whether or not you questioned the amount of assets
25 or assets under management or assets managed by Bennett

1 Group Financial Services.

2 A Yes.

3 Q At any point in time, did you ever question the
4 amount of assets being reported for Bennett Group
5 Financial Services?

6 A Yes.

7 Q Okay. And when was that?

8 A After the 2009 Barron's came out.

9 Q Okay. So prior to -- as you testified earlier,
10 prior to it actually being published, you didn't know
11 about the \$1.1 billion or \$1.3 billion number; correct?

12 A I didn't know about the \$1.8 billion.

13 Q Okay.

14 A The 1.3, I think is a -- I think it's a
15 mistake. I think it's an error.

16 Q Okay. But prior to the publication, though,
17 you didn't know about the \$1.3 billion number?

18 A \$1.1 billion?

19 Q Well, I think on Exhibit 5, \$1.1 billion is
20 shown.

21 A Correct.

22 Q Exhibit 6, \$1.3 billion is shown.

23 A Right.

24 Q One point -- and in Seven, \$1.8 billion is
25 shown.

1 A Correct. And as I testified, Exhibits 5 --

2 Q Right.

3 A Exhibit 5, I had seen. And 1.1, I remember
4 seeing that.

5 Q Only after publication?

6 A After publication, correct.

7 Q Right.

8 A One point -- number -- Exhibit 6 --

9 Q Right.

10 A It says 1.3, but I think that's a typo because
11 it --

12 Q Okay.

13 A -- was taken from the same information that
14 Five was taken from.

15 Q Okay.

16 A And Exhibit 7, I've never seen.

17 Q Okay. Prior to today's testimony?

18 A Correct.

19 Q Yeah.

20 A And Exhibit 9, today is the first time I've
21 seen that as well.

22 Q So I understand No. 7 -- we'll set that aside
23 for a second.

24 A Okay.

25 Q Nos. 5 and 6 --

1 A Okay.

2 Q All right. Did you ever have occasion after
3 the publication of those numbers to question the amount
4 shown as assets on those documents?

5 A Yes.

6 Q Okay. And to whom did you pose that question?

7 A Brad and Don.

8 Q Okay. And when did you do that?

9 A When I saw it in publication.

10 Q And when was that?

11 A I don't remember.

12 Q Sometime in 2009? Fair?

13 A It would have to be.

14 Q Okay.

15 A Whenever we got the -- whenever we got the
16 article delivered.

17 Q Okay. And was there anyone else present for
18 that question?

19 A I don't think so.

20 Q And how was it done? Was it in person, over
21 the phone?

22 A In person.

23 Q Okay.

24 A I walked down to the office.

25 Q Okay. And did you speak with them together?

1 Q Somewhere in BGFS's offices?

2 A Yes.

3 Q Sometime in 2009?

4 A That's fair.

5 Q Okay. And only the three of you were present?

6 A As far as I recall.

7 Q Did you make any notes of that meeting?

8 A No.

9 Q Did you record it in any way?

10 A No.

11 Q Okay. What did you say to them?

12 A Congratulated her --

13 Q Okay.

14 A -- on -- on being ranked so highly.

15 Q Yep.

16 A And I had to admit that it was a bit of a

17 surprise.

18 Q Okay.

19 A And we talked about and I asked her \$1.1

20 billion. I asked -- I asked where that came from, and

21 they said brokerage assets and the assets that she

22 manages -- that she advises on, on the outside.

23 Q Okay. She didn't mention cash?

24 A That's what it was, cash on the outside --

25 Q Okay.

1 A -- that she advises on.

2 Q So it's the cash plus Dimension Data plus
3 Omega --

4 A Plus the pension --

5 Q Plus the --

6 A Plus pensions. Bucket one, bucket two, bucket
7 three. Bucket one is brokerage. Bucket two is pensions
8 and anything else held away, annuities --

9 Q Okay.

10 A -- any insurance contracts. Bucket three is
11 short-term cash for corporate clients.

12 Q And other than that, what else did she say to
13 you?

14 A I don't remember.

15 Q Did the numbers seem wrong to you, the \$1.1
16 billion?

17 A I had no -- no basis to judge whether it was
18 right or wrong.

19 Q Okay.

20 A There were a lot of things that happen -- that
21 happen in an office environment. I can't -- I don't know
22 of all of it so I had no reason -- no reason to doubt
23 her.

24 Q But why did you question her on it, though?

25 A Because I hadn't seen the number before. It

1 Q Okay. Did you do anything to verify that the
2 model was correct?

3 A I did not.

4 Q Okay. Or that the performance claims about the
5 model were correct?

6 A I did not.

7 Q Okay.

8 A Other than -- other than Ashland.

9 Q Okay. Did you have any role in the submissions
10 to Ashland?

11 A I did not.

12 Q Okay. Did you ever at the time do anything to
13 -- strike that.

14 Did you have any understanding as to what at
15 the time that the submissions were to be made to Ashland?

16 So prior to the investigation, did you have any
17 understanding as to what documents or information were
18 being provided by -- to Ashland?

19 A Prior to the investigation?

20 Q Let me step back and make sure you understand,

21 A Yeah, I don't --

22 Q You mentioned --

23 A I don't remember.

24 Q -- a bunch of things, trade tickets --

25 A Yeah.

1 MR. BRUCH: The question is, did you ever come
2 to any conclusion about markups --

3 THE WITNESS: I --

4 MR. BRUCH: -- where markups were excessive?

5 THE WITNESS: I don't know.

6 BY MR. RINALDI:

7 Q You don't know whether you ever came to the
8 conclusion?

9 A I don't know if they're excessive, is my
10 answer.

11 Q Okay.

12 A So --

13 Q I'm just asking if you've ever came to that
14 conclusion?

15 A Sure, no. I -- I haven't.

16 Q Okay.

17 A I -- I don't know what anybody else charges, so
18 I really don't know what's excessive and what's not.

19 Q Do you know whether anyone else at Bennett
20 Group Financial Services ever came to any conclusions
21 regarding whether markups on Treasury STRIPS or otherwise
22 were excessive?

23 A Not to my knowledge.

24 MR. RINALDI: I want you to turn back to No. 39
25 for a second. And I'd like you to take a look at page

1 21.

2 MR. BRUCH: Which one is it?

3 MR. RINALDI: Thirty-nine, this is the
4 transcript from January 16, 2011.

5 THE WITNESS: Page 21?

6 MR. RINALDI: Yeah, actually, let's start at
7 the bottom of page 20, line 20. "Actually -- " this is
8 Ms. Bennett. "Actually, it's pretty interesting. If you
9 go back and listen to the shows that we did all last
10 year, you know, the confirmation or reconfirmation of
11 what I was stating became true. It became true. It
12 became true. I mean, you know, I do manage 2 billion in
13 assets. I've been in the business for about 25 years.
14 Our returns are very consistent. My job is to keep my
15 clients out of the way, which is why we started this
16 radio show. I actually -- "

17 Mr. Klein, "Out of the way of trouble?" Ms.
18 Bennett, "Out of the way of trouble because, you know,
19 I'm the financial myth buster to my clients. I tell it
20 the way it is. I tell it the way we see it. I tell it
21 the way our research is showing us. We're data-driven.
22 We have no emotion in any decisions, which is why I want
23 to tell -- why I want you to listen to last week's show
24 if you haven't heard it, and, you know, maybe think about
25 what we're talking about this week."

1 BY MR. RINALDI:

2 Q Is it true that in January 2011, Bennett Group
3 Financial Services managed 2 billion in assets?

4 A I don't know the answer to that.

5 Q Does the -- does the number seem -- you are an
6 equity owner of the firm. You're an officer of the firm,
7 chief compliance officer.

8 A Of the advisor.

9 Q I understand. You know, you're one of the few
10 employees in what you've described as a small shop. Does
11 2 billion -- does \$2 billion sounds like it's in the
12 right ballpark?

13 A I don't know. I don't know what was in bucket
14 three.

15 Q And who knows what's in bucket three as of
16 January of 2011?

17 A Dawn Bennett.

18 Q And solely Dawn Bennett?

19 A I don't know. I know she definitely would.

20 Q To your knowledge, was anything ever done to
21 verify what was in bucket three in January of 2011?

22 A Not by me.

23 Q Do you understand it to be your responsibility
24 to verify such claims in January of 2011?

25 A This particular radio show was sent to

1 THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

2

3 In the Matter of:)
4) File No. P-01774-A

5 BENNETT GROUP FINANCIAL)

6 SERVICES, LLC)

7

8 WITNESS: John J. Koorey

9 PAGES: 1 through 164

10 PLACE: 100 F. Street, N.E., Suite, 1590, Room 3
11 Washington, D.C. 20549

12 DATE: Friday, December 19, 2014

13

14 The above-entitled matter came on for hearing,

15 pursuant to notice, at 10:29 a.m.

16

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24 Diversified Reporting Services, Inc.

25

(202) 467-9200

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APPEARANCES:

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P R O C E E D I N G S

1
2 MR. RINALDI: Mr. Koorey, I'm going to swear
3 you in. Do you swear to tell the truth, the whole truth
4 and nothing but the truth?

5 MR. KOOREY: I do.

6 Whereupon,

7 JOHN J. KOOREY,

8 was called as a witness and, after having been duly
9 sworn, was examined and testified as follows:

EXAMINATION

10
11 MR. RINALDI: Okay.

12 BY MR. RINALDI:

13 Q Mr. Koorey, thank you for coming here today.

14 For the record, can you state and spell your full name?

15 A Sure. John J. Koorey, K O O R E Y.

16 Q Okay. My name is Michael Rinaldi. I am an

17 officer of the Commission for the purpose of this

18 proceeding.

19 This is an investigation by the United States
20 Securities and Exchange Commission, "In the Matter of
21 Bennett Group Financial Services," which is File Number
22 P-1774, to determine whether there have been violations
23 of certain provisions of the federal securities laws.

24 However, the facts developed in this investigation might
25 constitute violations of other federal or state civil or

1 criminal laws.

2 Prior to the opening of the record you were
3 provided with a copy of the Formal Order of Investigation
4 in this matter, a Supplemental Formal Order of
5 Investigation, in this matter, and what we've marked as
6 Exhibit Number 1, which is the Commission Supplemental
7 Information Form.

8 Before we go on any further, let me just
9 confirm for the record that you've had an opportunity to
10 review the Formal Order and the Supplemental Formal

11 Order; is that correct, sir?

12 A That's correct.

13 Q And what we've marked as Exhibit Number 1, the
14 Supplemental Information Form, you've had an opportunity
15 to review that, as well; correct?

16 A Correct.

17 Q Do you have any questions about any of those
18 three documents: the Formal Order, the Supplemental
19 Order, and what we've marked as Exhibit Number 1?

20 A No.

21 Q Okay. What is your home address?

22 A My home address is [REDACTED].
23 Crofton, [REDACTED].

24 Q Now, how long have you lived at that address?

25 A 2008. March of 2008.

1 A Correct.

2 Q Okay. Have you had any other cell phone
3 numbers since 2008?

4 A No.

5 Q Okay. Do you have an office address currently?

6 A My current office address is 533 Wisconsin
7 Avenue, N.W., Suite 500, and that's Washington, D.C.
8 20015.

9 Q And is there a particular firm that's located
10 there?

11 A That is Bennett Group Financial Services.

12 Q How long has that been your office address?

13 A Since we moved there from K Street in, I think
14 it was 2009.

15 Q Okay. What is your office telephone number?

16 A (202) 216-4880.

17 Q And how long has that been your office
18 telephone number?

19 A Since I believe the firm opened in 2006.

20 Q Okay. Do you have any other office telephone
21 numbers?

22 A We have a toll-free number, (866) 286-2268.

23 Q Anything else?

24 A We have fax numbers.

25 Q What are those?

1 Claimant.

2 Q Okay. Any other testimony that you've given in
3 depositions?

4 A No. Not that I can recall.

5 Q Have you given any testimony before FINRA or
6 any stock exchange, any state securities commission, any
7 officers of the Securities and Exchange Commission,
8 anything like that?

9 A Outside of those two things, no.

10 Q Okay. Any testimony in court or any hearing?

11 A No.

12 Q So other than those two matters and your
13 testimony here today, you've never given any other

14 testimony under oath; correct?

15 A That's correct.

16 Q Okay. Do you hold any securities licenses?

17 A I do.

18 Q Which ones?

19 A 7, 63, and 65.

20 Q Okay. Have any of those ever been suspended or
21 subject to any discipline or revoked?

22 A No. Not -- no. They -- one was -- the 7 was
23 had lapsed when Seligman -- well, it's Seligman -- it was
24 Seligman Date Corp was the transfer agent for Seligman
25 Mutual Funds, they stopped sponsoring us --

1 Q -- an action by your former employer?

2 A Right.

3 Q Okay. Are you represented by counsel here
4 today?

5 A Yes.

6 Q Okay.

7 MR. RINALDI: Would counsel identify themselves
8 for the record?

9 MR. NIEMEIR: Charles Niemeier.

10 MS. GOLDSTEIN: Dale Goldstein.

11 MR. RINALDI: And Ms. Goldstein and Mr.
12 Niemeier, are you representing Mr. Koorey in his
13 individual capacity here today?

14 MR. NIEMEIR: Yes.

15 MS. GOLDSTEIN: Yes.

16 MR. RINALDI: Okay.

17 BY MR. RINALDI:

18 Q You mentioned your wife earlier on. [REDACTED]

19 [REDACTED]
20 A Since [REDACTED]

21 Q [REDACTED]

22 A [REDACTED].

23 Q Okay. [REDACTED]

24 A Correct.

25 Q Okay. [REDACTED]

1 A To answer any and all operational issues with
2 client accounts. We handled file -- the filing system.

3 Q Okay.

4 A We handled all the back office work and
5 paperwork between our broker-dealers and the transfer
6 agents and the clients.

7 Q Anything else?

8 A Those are the main duties. I mean, there were
9 other things that I'm trying to recall, but those are the
10 main duties as far as being an operations manager.

11 Q Is there anything else that you recall sitting
12 here?

13 A No.

14 Q And during your testimony just now, you used
15 the pronoun "we" to describe some of these activities.
16 Did you have a staff that reported to you?

17 A I had -- there was one other person that worked
18 there and I wouldn't call it -- yeah, she kind of -- she
19 was younger. She -- [REDACTED] Pruess --

20 Q Okay.

21 A -- had worked there. And she was also an
22 operations person.

23 Q Okay. So you were the director of operations?

24 A Yeah. That wasn't the title, but yeah, I mean,
25 in the beginning Katie -- I believe [REDACTED] had been with

1 Dawn out of college, she was an -- had previously worked
2 as an intern. So she was there when I was hired. But
3 they hired me because I had the operational background
4 with mutual funds.

5 Q So it's fair to say that during that May 2006
6 to November 2012 period that you were essentially the
7 chief operations person at Bennett Group?

8 A Right. The main one. Sure.

9 Q Yeah. And Ms. Pruess was someone who
10 functioned in --

11 A She functioned --

12 Q -- in an assistant capacity?

13 A Right. Um-hmm.

14 Q Correct?

15 A She did that, yes.

16 Q Was there anyone in the operations part of
17 Bennett Group Financial Services from May 2006 to
18 November 2012?

19 A No one designated specifically for that task.

20 Q Okay.

21 A But Brad knew pretty much what we did. Not --
22 maybe not some of the particulars, but Tim also knew how
23 to do those things. Tim Augustin.

24 Q Right.

25 A And I'm trying to think when Stuart was there

1 Q Okay. Who, if anyone, made an offer to re-
2 employ you at Bennett Group Financial Services in 2014?

3 A Tim Augustin reached out to me. I would talk
4 to him from time-to-time.

5 Q Okay. Are you friends with Mr. Augustin?

6 A Yeah, you could say that. Sure.

7 Q Are you friends with Dawn Bennett?

8 A Yeah, I would say yes.

9 Q Are you friends with Bradley Mascho?

10 A Sure.

11 Q Okay. Do you ever see Mr. Augustin or Ms.
12 Bennett or Mr. Mascho out of work -- outside of work?

13 A Dawn and Brad, no. But Tim I have -- it was
14 also work related, it was a ball game we went to with our
15 transfer agent -- I mean, our broker-dealer. So.

16 Q When Mr. Mascho offered to have you re-employed
17 at Bennett Group Financial Services, did he state any
18 reason for that offer?

19 A No, it was Tim. And eventually --

20 Q I'm sorry, did I say Mr. Mascho?

21 A Yes.

22 Q Yes.

23 A That's okay.

24 Q I apologize. Mr. Augustin.

25 A It was Mr. Augustin.

1 Q Yeah, sure.

2 A And it eventually involved me speaking to Dawn
3 and Brad, as well.

4 Q Okay.

5 A But the circumstances, as I understood them,
6 were the woman that I had talked about earlier who was
7 also in operations, had left in December, I think, of
8 2013, and they were looking for someone to take over
9 their operations or to run that operations for them.

10 They had employed, I think, a family member of
11 Bradley Mascho, I think it was someone out of school. It
12 think it was his nephew, I don't want to say cousin, I
13 think it was his nephew.

14 Q Okay.

15 A And I think he had decided to go back to
16 school.

17 Q Okay.

18 A And he was in the process of learning the
19 operations. I believe also studying for his Series 7.

20 When that became -- when he decided to leave I think

21 that's when they had asked, because as I said, I spoke to
22 Tim and they knew I was still out of work.

23 Q Okay. Did they speak to you about any of the
24 issues that led to you being asked to leave the firm in

25 November of 2012?

1 A Actually, no.

2 Q Okay. So you were offered re-employment;
3 correct?

4 A Um-hmm.

5 Q By -- that's a "yes," correct?

6 A Yes, correct.

7 Q By Mr. Mascho and Ms. Bennett?

8 A Correct.

9 Q And --

10 A At this point, mostly Dawn.

11 Q Mostly Dawn.

12 A Um-hmm.

13 Q Okay. So is it fair to say that Dawn was the
14 person who took principle responsibility for negotiating

15 your re-employment by Bennett Group?

16 A Correct.

17 Q Okay. And was there one discussion involved or
18 more than one discussion regarding that subject?

19 A There was more than one discussion.

20 Q Was it more than two?

21 A It might have been two or three, tops.

22 Q Okay. Were they over the phone or in person?

23 A One was in person, that I remember, and two --
24 at least two by phone.

25 Q Okay. And other than Ms. Bennett, was there

1 anyone else involved in those communications, and of
2 course, yourself?

3 A Yes. In the meeting Tim and Brad were also
4 present.

5 Q I see. And during none of those communications
6 was the reason for your initial being asked to leave
7 Bennett Group mentioned?

8 A No. Never came up.

9 Q Okay. And what position do you now hold at
10 Bennett Group Financial Services?

11 A Operations manager.

12 Q And that was the same position you held
13 previously?

14 A Correct.

15 Q And that's the position you've held the entire
16 time from April 2014 to the present; correct?

17 A Correct.

18 Q Okay. So returning to Number 13, you see here
19 this is an e-mail to Mr. Santigati, "Steve, good
20 afternoon. I hope that you and your family had a great
21 holiday. Dawn wants to start adding back in our Treasury
22 shorts today. We would like to add back one-half of the
23 position to day, \$150,000. Remember, there is no cost
24 and nothing on margin because we sell the bonds first and
25 cash is credited to the account. May we forward -- may

1 Q Okay.

2 A To be considered a client? No.

3 Q Okay. So there may be theoretically instances
4 where somebody was a client of the firm but did not have
5 a brokerage account?

6 A Sure.

7 Q Okay. So going back to Omega World Travel and
8 Dimension Data, are you aware of either of those firms
9 ever having been clients of Bennett Group Financial
10 Services?

11 A No.

12 Q Okay. Are you aware of any services ever being
13 provided by Ms. Bennett or Mr. Mascho or Bennett Group

14 Financial Services to Omega World Travel, other than
15 these 401(k) meetings?

16 A No.

17 Q Are you aware of any services ever being
18 provided by Ms. Bennett or Mr. Mascho or Bennett Group
19 Financial Services to Dimension Data?

20 A No.

21 Q Okay. We talked about Dimension Data and Omega
22 World Travel and these are obviously business firms;
23 correct?

24 A Correct.

25 Q Are you aware of any of the individuals -- I'm

1 know about any efforts to get anybody -- anybody else to
2 fill the position of operations manager?

3 A Oh, I believe Tim eluded to or told me that
4 they had looked.

5 Q Okay.

6 A Yes.

7 Q But do you know anything more than that?

8 A Only that after looking they decided to call
9 me, as well.

10 Q Okay. So you don't know about any other
11 potential candidates?

12 A No.

13 Q Okay. I'm going to show you what's previously
14 been marked as Number 6. Have you seen this document

15 before?

16 (Witness examined the document.)

17 THE WITNESS: Actually, no.

18 MR. RINALDI: Okay.

19 BY MR. RINALDI:

20 Q So if you look at the very bottom of the first
21 page, you see a reference to Dawn Bennett, Bennett Group
22 Financial Services, Washington, D.C. And across there
23 you see total assets and it's in millions of dollars, and
24 you see 1300. So I'll represent to you that that means
25 1.3 billion. Do you see that there?

1 A I do.

2 Q Are you ever familiar with any claim by -- I'm
3 sorry, let me start over.

4 Are you familiar with any claim by Bennett
5 Group Financial Services or Dawn Bennett to have assets
6 or be managing assets of \$1.3 billion?

7 A Not specifically, no. Never. Not aware of any
8 claim like that.

9 Q Okay. Let me just show you what's previously
10 been marked as Number 7.

11 A Oh, I did not know that Ric Edelman was number
12 one.

13 Q What did you say, I'm sorry?

14 A I just said I didn't know Ric Edelman was

15 number one.

16 Q Oh, on the Number 6, yeah.

17 So Number 7, you see Dawn Bennett here, second
18 from the top, Bennett Group Financial Services,
19 Washington, and then \$1.8 billion, if you look over
20 towards the right. Do you see that there?

21 A I see that.

22 Q Okay. So have you ever seen Exhibit 7 before?

23 A No.

24 Q Okay. Are you aware of any claim that Bennett

25 Group Financial Services or Dawn Bennett had or was

1 managing \$1.8 billion in assets?

2 A No.

3 Q Okay. And so I'll just refer you back, if you
4 remember document Number 5, which I think you had seen
5 before, that was the Barron's case, right, from 2009,
6 showing the 1.1 billion, right?

7 A Um-hmm.

8 Q And Number 7 showing the 1.8 billion, right?

9 A Yes.

10 Q Do you recall whether during that timeframe in
11 2009 to 2011 whether, and I know you don't know the
12 specific amount of assets, but whether the assets or
13 assets under management by Bennett Group Financial
14 Services were rising or falling?

15 A Well, I can only tell from the brokerage
16 clients. But my -- my understanding was it was growing.

17 Q Okay.

18 A I mean, I was opening accounts, not closing
19 them.

20 Q Okay. And do you know the amount of brokerage

21 assets that Bennett Group had in that 2009 to 2011
22 timeframe?

23 A No. If I -- if -- no. Not specifically. But
24 I -- I'm trying to remember if I had an idea of somewhere
25 in the 300 to 400 million in assets under -- for the

1 brokerage.

2 Q Okay. Let me just show you what's previously
3 been marked as Number 40. It says "Bennett Group
4 Financial Services, LLC Written Supervisory Policies and
5 Procedures Manual, Updated June 1, 2010." Have you see
6 Exhibit 40 before?

7 A Yes.

8 Q Okay. Under what circumstances did you see
9 this?

10 A Pretty much the same way you just describe --
11 just handed to me; handed to be read and to be signed off
12 as having received and read it.

13 Q Okay. Do you know who the chief compliance
14 officer was at Bennett Group Financial Services during
15 your first stint there?

16 A Chief compliance was handled, I believe, by
17 Royal Alliance at the time. We moved to Western in -- in
18 the middle of 2009, September of 2009. So this would
19 have been -- this would have been Western International.
20 And that would have been by the compliance group out

21 there. I mean, I don't --

22 Oh, wait. Wait. When I left there was --
23 there was Matt Okolita was a lawyer who was -- who came
24 in to help, I think, with the compliance in-house on the
25 fund group. He was there when I left in 2012, but I

1 don't think he was there in 2010. So it would have been
2 done in conjunction with Western, I --

3 Q Okay.

4 A The compliance.

5 Q Was Tim Augustin ever the chief compliance
6 officer?

7 A I think he -- we considered him the point of
8 contact for compliance because I know he put something
9 like this together. But I -- but our compliance was done
10 by Western International, our securities compliance.

11 Q How do you know that he put something like
12 this, meaning Number 40, together?

13 A Well, other than him handing it to us and
14 having us send it, you know, send it -- there was only

15 six of us then.

16 Q So this was delivered to you by Tim Augustin,
17 Number 40?

18 A Yes.

19 Q Okay. And did Tim talk about how the document
20 was created?

21 A No.

22 Q All right. So other than saying here's -- read
23 this and sign, did he communicate anything else to you
24 about this?

25 A No. Other than it is what it is, and to read

1 it and to sign it. It's your rules and regulations for
2 Bennett Group.

3 Q Did -- in terms of the rules and regulations,
4 and other compliance issues for Bennett Group, did you
5 observe or have knowledge of Tim Augustin doing anything
6 else in that regard?

7 A Well, on a daily basis I would say no. But I -
8 - he was considered the chief operating officer, that was
9 his title.

10 Q Okay.

11 A And it still is, as far I know. And no, I
12 think -- we might have -- things might have gone through
13 him to go to a compliance department.

14 Q Okay.

15 A And so in that respect he would have been our
16 first point of contact for a compliance issue.

17 Q Okay. And so are you aware of anyone ever
18 receiving compliance advice from Tim Augustin? Or was he
19 simply a conduit to Western or Royal's compliance
20 department?

21 A In terms of compliance, we all were versed
22 enough to know some of the daily operational stuff that
23 needed to be done to know if we were in compliance. But
24 I know I've heard Brad and Dawn talk about compliance,
25 following compliance issues, so --

1 A That is correct.

2 Q Okay.

3 A It's the first two times -- first time I've
4 heard those names.

5 Q And I think we can confirm on the record with
6 counsel, you're not aware of any advice by counsel
7 regarding the subject matter of this action, correct,
8 other than communications you've had during your -- the
9 course of this investigation with counsel; correct?

10 A Correct.

11 MR. RINALDI: Correct, Counsel?

12 MR. NIEMEIR: That's correct.

13 MS. GOLDSTEIN: That's correct.

14 MR. RINALDI: And as I understand it, I won't
15 go through the list with Counsel, I understand here that
16 there's no advice of counsel defense being proffered by
17 Dawn Bennett or Bennett Group Financial Services or Mr.
18 Mascho or anyone else at the firm; correct?

19 MR. NIEMEIR: I'm not aware of any at this
20 point in time, no.

21 MR. RINALDI: Okay.

22 MS. GOLDSTEIN: I am also not aware of any.

23 MR. RINALDI: Thank you.

24 BY MR. RINALDI:

25 Q Did you perform -- strike that.

1 THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

2

3 In the Matter of:)

4) File No. P-01774-A

5 BENNETT GROUP FINANCIAL)

6 SERVICES)

7

8 WITNESS: Bradley Mascho

9 PAGES: 1 through 157

10 PLACE: 701 Market Street, Suite 2000,

11 Philadelphia, PA 19106

12 DATE: Wednesday, November 20, 2013

13

14 The above entitled matter came on for hearing,

15 pursuant to notice, at 9:08 a.m.

16

17

18

19

20

21

22

23

24 Diversified Reporting Services, Inc.

25 (202) 467 9200

1 APPEARANCES:

2

3 On behalf of the Securities and Exchange Commission:

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8 (215) 597-1021

9

10 On behalf of the Witness:

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13 Greenberg Traurig

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17

18 On behalf of the Bennett Group:

19 WILLIMA R. MCLUCAS, ESQUIRE

20 WILMER CUTLER PICKERING HALE & DORR, LLP

21 1875 Pennsylvania Avenue

22 NW, Washington, DC 20006

23 (202) 663-6622

24

25

P R O C E E D I N G S

Whereupon,

BRADLEY MASCHO

was called as a witness and, having been first duly sworn, was examined and testified as follows:

EXAMINATION

BY MS. PAW:

Q We're on the record November 20, 2013 at 9:08 a.m. Mr. Mascho, can you please state and spell your full name for the record?

A Sure. Bradley C. Mascho. B-R-A-D-L-E-Y, middle initial C. Last name, M-A-S-C-H-O.

Q What does the C stand for?

A Carl.

Q C-A-R-L?

A Correct.

Q If you bear with me for a moment, I'm going to read an introduction into the record.

A Sure.

Q I am Patricia Paw and this Rob Thomas. We are both officers of the commissions for the purposes of this proceeding. This is an investigation by the United States Security and Exchange Commission in the matter of Bennett Group Financial Services to determine whether there have

1 been violations of certain provisions of the Federal
2 Security Laws. However, the facts developed in this
3 investigation might constitute violations of other
4 federal or state, civil or criminal laws. Prior to
5 the opening of the record, you were provided with a
6 copy of the formal order investigation in this
7 matter -- that's this document.

8 It will be available for your examination
9 during the course of the proceeding today. Mr.
10 Mascho, have you had a chance to look at the formal

11 order?

12 A I have.

13 Q Also, prior to opening the record, I

14 showed you a copy of a document that's now been
15 marked at Exhibit-1, it's the Commission's
16 Supplemental Information Form, standard form 1662.

17 Have you had a chance to review this exhibit?

18 (SEC Exhibit No. 1 was
19 marked for identification.

20 A I have.

21 Q Do you have any questions about it?

22 A Not at this time.

23 Q Let me also show you a copy of a document
24 that's been marked Exhibit-2. Can you tell me if
25 this is a copy of a subpoena that you're appearing

1 pursuant to here today?

2 (SEC Exhibit No. 2 was
3 marked for identification.)

4 A Yes.

5 Q Thank you. Are you represented by counsel?

6 A I am.

7 MS. PAW: Counsel, will you kindly
8 identify yourselves?

9 MR. BLOCK: Yes. Dennis J. Block, firm of
10 Greenberg Traurig, with Dale Goldstein from the same

11 firm.

12 MR. MCLUCAS: Bill McLucas with
13 Wilmerhale.

14 BY MS. PAW:

15 Q Mr. Mascho, have you ever gone by any
16 other names?

17 A No.

18 Q What is your date of birth?

19 A [REDACTED]

20 Q What is your home address?

21 A [REDACTED]

22 Maryland. The ZIP code there is [REDACTED].

23 Q How long have you lived there?

24 A [REDACTED]

25 Q What is your Social Security number?

1 A [REDACTED].

2 Q No degree from the other -- University of
3 Buffalo?

4 A No.

5 Q Do you hold any professional licenses?

6 A I have a Series 7, 63, 65, life, health
7 and variable annuity.

8 Q Roughly how long have you had those
9 licenses?

10 A If my memory is correct, I believe it was
11 '96 or '97.

12 Q All of them about the same time?

13 A About the same time, I think, except for,
14 I think the 65, maybe '06, '07, somewhere in there.

15 Q Are you currently employed?

16 A Yes.

17 Q What's your employment right now?

18 A I'm employed with the Bennett Group
19 Financial Services.

20 Q What's your position there?

21 A I'm a minority owner in the firm. I'm a
22 registered representative, financial adviser,
23 managing director of research.

24 Q How long have you held a current position
25 that you do right now at Bennett Group?

1 A I've been with the Bennett Group since --
2 at least 15 years. This particular role, since
3 2006.

4 Q Prior to that, what was your role?

5 A Just a financial adviser, business
6 development.

7 Q Were you registered rep at that time?

8 A I was.

9 Q How long have you been a registered rep
10 for any broker/dealer?

11 A Since '96, '97, somewhere in that range.

12 Q You mentioned that you're a minority owner
13 of Bennett Group?

14 A Correct.

15 Q What is your percentage of ownership?

16 A 5 percent.

17 Q How long have you been a 5 percent owner?

18 A Since 2006.

19 Q Did you hold any other percentages prior
20 to that?

21 A I had been up as high as 10, and back to
22 5.

23 Q Why the decrease in ownership percentage?

24 A I gave up some percentages to -- so Dawn
25 and our firm could maybe give that to someone else

1 to help build us even further out.

2 Q Who are the other owners of Bennett Group?

3 A Dawn J. Bennett and Tim Augustine.

4 Q What are their percentages of ownership
5 right now?

6 A Tim owns 3 percent, and Dawn owns the
7 remaining 92.

8 Q Can you parse out for me the different
9 responsibilities that you have? You mentioned
10 several things that you do. Can we start, first,
11 with your registered representative responsibility?
12 What does that encompass? And maybe we'll just go
13 from there.

14 A Sure. As a registered representative, I
15 help guide our clients in investment decisions. So
16 that's my main role, advising our clients to do what
17 we believe is in the best interest of the client.

18 Q Do you have clients that you consider to
19 be your clients as opposed to the firm's client?

20 A No. Everything goes through one rep ID
21 that's done. The clients are all firm clients. We
22 all work with the clients.

23 Q Okay.

24 A No one has their own subset of clients.

25 Q The registered rep ID, is that actually

1 Dawn Bennett, or is it Bennett Group Financial
2 Services?

3 A It's actually Dawn Bennett.

4 Q Currently, can you just estimate the
5 number of clients? Not the number of accounts, but
6 the number of clients that you serve as registered
7 representative -- you know, the collective
8 registered representative.

9 A I know we have about 1200 accounts. I
10 couldn't give you a household number, but maybe 600.

11 That's a guess.

12 Q Has the number of accounts or the number
13 of households fluctuated over the last five years?

14 A Sure. With markets going up and down, our
15 client base goes up and down.

16 Q To a great extent? Can you estimate for
17 me?

18 A I couldn't tell you percentage-wise.

19 Q Is the amount now, the number of accounts,
20 a lot more, the same, or less than five years ago,
21 let's say? I'm just looking for general --

22 A Generally, it's pretty close to where it
23 was.

24 Q Who are the other registered
25 representatives that also serve the brokerage

1 function?

2 A Myself, Dawn Bennett, Tim Augustine --
3 he's our CO chief operations officer. Dawn is our
4 CEO. Katie Pruess, she's our senior operations
5 manager.

6 Q Is that Kathleen?

7 A Kathleen, yes. P-R-U-E-S-S, I believe.

8 Q I believe that's correct.

9 A Then we have Matt Okalito.

10 Q How do you spell that?

11 A O-K-A-L-I-T-O. Then we have -- we have
12 Mark Collins, and he's my administrative assistant.

13 Q He's not a registered rep?

14 A No. Am I missing somebody? Oh, we have
15 one outside consultant, he's registered. His name
16 is Mark Fuller.

17 Q How long has he been with Bennett Group?

18 A I think just this year, so not very long,
19 six months maybe.

20 Q So in the last five years, are any of the
21 people that you mentioned new hires other than the
22 last person?

23 A Just my assistant. Everyone else is
24 seasoned. Matt Okalito joined us two years ago.

25 Q Do you have administrative staff?

1 A No.

2 Q Secretarial staff?

3 A No, just the one private assistant that I
4 have. We have a few interns here and there, but no
5 one else.

6 Q There isn't one person who answers the
7 phones or sends out mail or does anything like that?

8 A No. We all do the answering of the
9 phones. Katie does -- Katie Pruess does all the
10 paperwork and back office -- she handles all of the

11 operation paperwork, the account forms, things like
12 that.

13 Q Does she also serve a public
14 relations-type of role, media contacts -- I'm not
15 sure exactly what you might call it.

16 A Dawn is the only one that does anything in
17 the media. All calls go to her if there is a media
18 request.

19 Q What is the Bennett Group's current
20 broker/dealer affiliation?

21 A Our Western International Securities is
22 our current broker/dealer. That is who we --
23 they're our compliance department basically.

24 Q Is the Bennett Group considered a branch
25 of Western International?

1 we registered as -- I believe as a pension
2 consultant to bring on more institutional clients
3 that way. We thought that would be a good way to
4 grow. We also knew we were going to be opening a
5 mutual fund at some point, which we need to have
6 registered. I believe we got registered that way as
7 a pension consultant.

8 Q You said you wanted to register as a
9 pension consultant. What was done to make that
10 happen?

11 A We hired -- we were mandated to hire a
12 company -- Dawn Bond, I don't recall the company
13 that she worked for. It might have been called Dawn
14 Bond, Incorporated or Compliance, Incorporated. She
15 helped out fill out the paperwork we needed to do so
16 we could solicit or request for proposals for
17 institutions for the 401(k) business --

18 Q You said -- and correct me if I'm wrong --
19 2008 was about the time?

20 A I believe so.

21 Q Did you participate in this
22 decision-making process to move forward to become a
23 registered investment adviser?

24 A I didn't participate much in that at all.

25 Q Who made that decision?

1 A Dawn Bennett. Tim Augustine worked
2 closely with the paperwork on that. He's our chief
3 operating officer.

4 Q For the investment advisory business, has
5 there been any individual designated as being
6 responsible for compliance at Bennett Group?

7 A Matt Okalito for the last two years has
8 done the mutual fund. We opened the mutual fund in
9 May of 2011. Prior to that, Tim Augustine.

10 Q Do you know what those types of compliance
11 responsibilities entailed?

12 A I know Tim filed our ADV and validated
13 that through the questionnaire process. That's all
14 I recall.

15 Q Do you have a role as an employee or did
16 you, I guess, of the investment adviser?

17 A I'm not sure what you mean by that.

18 Q Let me ask a different way. In the last
19 five years -- this is all kind of pre-deregistration
20 of the investment adviser.

21 How have you been paid? How did you
22 receive your compensation?

23 A I get a guaranteed payment.

24 Q From whom?

25 A From the LLC every two weeks.

1. Q What is the LLC?

2 A Bennett Group Financial Services, LLC.

3 Q What is the source of the revenue for
4 Bennett Group Financial Services?

5 A Majority -- 99 percent of our fees and
6 commissions come from the broker/dealer side. That's
7 where 99.9 percent of all of our commissions are
8 generated from -- so I get a part of that. So when
9 if all the bills are paid, I get a guaranteed
10 payment or bonus if there is money left over at the
11 end of the year.

12 Q You don't receive any payment or haven't
13 received payment from the broker/dealer Western
14 International before that Royal alliance?

15 A No.

16 Q Does anyone at Bennett Group Financial
17 Services receive payment directly from the
18 broker/dealer?

19 A Dawn does. Everything goes to Dawn
20 Bennett.

21 Q To her directly or to the LLC?

22 A I believe it all goes directly to her
23 personal account, and then her personal account she
24 turns to the LLC and goes that way.

25 Q And from that, you are paid and the other

1 employees are paid?

2 A I guess that's correct, yes.

3 Q In one of the correspondence that the
4 Bennett Group sends out, it says at the bottom --
5 I'll get an example for you -- that Western
6 International and Bennett Group are not affiliated
7 in any way. Do you know why that caveat, if you
8 will, is included in the correspondence?

9 A I don't know specifically why. I just
10 know for compliance reasons it has to be there.

11 Q You are familiar with what I'm talking
12 about?

13 A Absolutely. The Bennett Group is not
14 affiliated with Western International Securities.

15 Q I've already asked you this. You don't
16 have an official position or did not within the
17 investment adviser?

18 A Just normal -- if we had clients or
19 research, that would have been my role, I guess. I
20 believe that's about it.

21 Q Did you, yourself, provide any investment
22 advisory services to any investment adviser client?

23 MR. BLOCK: What do you mean by
24 "investment advisory services"?

25 BY MS. PAW:

1 Q Well, did you provide any services to IA
2 clients?

3 A Just our mutual fund, the mutual fund we
4 started. I was part of the portfolio management
5 with that.

6 Q Other than that mutual fund, did Bennett
7 Group have any investment advisory clients?

8 A We had one individual client.

9 Q Who was that?

10 A I believe her name was Robbin Mayor. There
11 was a unique situation around that. Her husband had
12 been a client of ours for a very long time. They
13 got a divorce. She wanted to stay with us; he
14 wanted to go elsewhere. She lives in Bermuda, so we
15 were at Royal Alliance at that time. They would not
16 allow us to have a Bermuda client on the
17 broker/dealer side. So we shifted her to a
18 registered/investment advisory side there. That was
19 the only personal client that we had on the
20 investment/advisory side.

21 Q If you know, was there any intention on
22 following registration as an IA to actually actively
23 seek additional investment advisory clients, or was
24 it really intended to service the mutual fund?

25 A No. We actually solicited our investment

1 proposals to a couple of different firms, XM

2 Satellite was one.

3 Q The radio, XM radio?

4 A Yes. There was another hospital, BB
5 Hospital, I believe the name was.

6 I remember those RFPs, and they required
7 requests for proposal and those types of things. I
8 remember having a conversation with Dawn about that.

9 Q Let me show you Exhibit-3. I believe that
10 this was provided by Bennett Group Financial

11 Services to the SEC staff. It lists the advisory
12 clients. I see Robbin Mayor. She's the first?

13 (SEC Exhibit No. 3 was
14 marked for identification.)

15 A Yes.

16 Q Then the description of the four mutual
17 funds, correct?

18 A That's correct.

19 Q Are these four funds -- are all four of
20 them now no longer in existence?

21 A That's correct, yes.

22 Q Let me show you Exhibit-4, also a one-page
23 document that was produced by the Bennett Group to
24 the staff and purports to list pension clients. Do
25 you see that?

1 (SEC Exhibit No. 4 was
2 marked for identification.)

3 A Yes, I do.

4 Q I would like to ask you about these
5 different clients and get a little bit more
6 information, if you know it.

7 A Sure.

8 Q So you mentioned earlier there was an
9 effort to get more pension clients, correct?

10 A Correct.

11 Q How were the pension clients solicited?
12 Was it an RFP process?

13 A Word of mouth. I remember the Lincoln
14 adviser representative said, Hey, I have something
15 you might have an interest in, so we started some
16 conversations, but it didn't go anywhere. It was
17 mostly word of mouth.

18 Q Did any of them involve request for
19 proposals, to your knowledge?

20 A I don't believe we go to the RFP process.
21 We found it very difficult to get into the pension
22 side at that level. It's really who you know, so
23 that's why we didn't really see a lot of fruit from
24 that effort.

25 Q Let me ask you about these different

1 pension clients listed here. Dimension Data. Are
2 you familiar with them as a pension client?

3 A Yes.

4 Q Did you provide any services to the
5 pension consulting Dimension Data?

6 A Yes. We provided enrollment meetings,
7 investment advisory about what mutual funds -- we
8 worked closely with the 401(k) committee.

9 Q You said that part of the responsibility
10 was recommending funds for the plan. You mean the

11 401(k) plan?

12 A Correct.

13 Q To offer them to the Dimension Data
14 employees; is that right?

15 A That's correct.

16 Q Do you recall when Dimension Data became a
17 pension client?

18 A It was either 2004 or 2005, somewhere in
19 that time frame.

20 Q Until roughly when?

21 A March 2011.

22 Q During that time period, do you know,
23 roughly, the amount of money included in the 401(k)

24 plans? I understand it would fluctuate over time. A
25 range would be fine.

1 A Sure. 30, 35 million, somewhere in that
2 range.

3 Q Did you actually attend any meetings with
4 the Dimension Data 401(k) committee or anyone else
5 affiliated with Dimension Data?

6 A No. Dawn did all of those meetings,
7 either by phone, conference call, or personal
8 meeting face-to-face.

9 Q Do you, yourself, do any work to develop
10 new ideas for funds to offer in the plan for

11 Dimension Data?

12 A I did some of the due diligence on the
13 mutual funds.

14 Q Which would involve doing what?

15 A Tracking the performance of the mutual
16 funds; tracking the style drift of the mutual funds;

17 making sure they still are true to their asset

18 class; if there's a large gap -- is there still a

19 really large gap or did they deviate some mid cap

20 because of market fluctuation; monitor a portfolio

21 manager; making sure the staff was still together,

22 those types of things.

23 Q Did you then take your research and

24 recommendations and present them to Dawn?

25 A Yes. She would ask, Was it any good?

1 Q I'm sorry.

2 A It was a "yes" or "no" or those types of
3 things.

4 Q Are there any other services that you know
5 of that were provided to Dimension Data either by
6 yourself or anyone else at the Bennett Group?

7 A Dawn, I know, worked with the CEO, CFO of
8 the company.

9 Q Who was that at that time, if you recall?

10 A I don't recall the name.

11 Q Doing what?

12 A Advising on short-term cash for the
13 portfolio. I know she also worked --

14 Q I'm sorry. For the 401(k) portfolio?

15 A No, for the corporate short-term cash.

16 There were short-term bonds, different marketable
17 securities that they had for short-term capital
18 expenses.

19 Q How did you become aware of that service
20 that was provided by Dawn?

21 A Dawn had frequent calls with them. Dawn
22 would say, Hey, they have this bond. Can you look
23 at the merits of it?

24 Q She would ask you to look at the merits?

25 A Yes. I would go pull a research report or

1 something relevant to the investment vehicle that
2 she was asking about, give it to her. She would
3 call back and advise them on that.

4 Q You said it was either the CFO or CEO. You
5 don't know --

6 A I don't remember which. I think there
7 were two different people she was talking to, if I
8 remember correctly.

9 Q Do you recall, roughly, the time period
10 these kinds of informal recommendations occurred?

11 A I believe from the 2006 through 2011 time
12 period.

13 Q What was the amount of money that we're
14 talking about in their portfolio roughly?

15 A Several millions -- you know, 500, 700
16 million, somewhere in that range. It was a large
17 pot of money.

18 Q Did you ever participate in any
19 discussions along with Ms. Bennett and
20 representatives at Dimension Data about these
21 recommendations for the portfolio?

22 A Not on the cash there. I did help with
23 some of the executive benefit programs.

24 Q Meaning what?

25 A Like an ESOP program.

1 Research, about the same time period, 2006, 2007.

2 One of our individual clients was an employee there
3 and recommended us to them, and we helped them take
4 over their plan. They're close to maybe 2.5 million
5 in assets currently.

6 Q Are they also a nonprofit?

7 A They are.

8 Q What about Omega World Travel? When did
9 they become a pension client?

10 A They were clients of ours two times. Dawn

11 back in the very, very beginning of her career in

12 late '80s, whenever that was, had helped them

13 originate and design their 401(k) plan built from

14 scratch. And four or five years into it, she had

15 switched to Legg Mason and changed broker dealers.

16 When she made switch, the client didn't go with her.

17 Then things with their new broker went bad and they

18 came back to her in -- I think in 2006, and they

19 became a client again.

20 Q Until roughly when?

21 A 2012. So they were with us about six

22 years the second time approximately.

23 Q During that time period, do you know what

24 the range of funds in their plan was?

25 A In the 401(k) plan, about 10 to 12 million

1 depending on the market fluctuation determination.
2 They have laid a lot of people off in '12. They cut
3 expenses -- they changed plans to a less expensive
4 provider, more of a -- what do they call that -- a
5 turnkey product. They bundled in life insurance and
6 disability, those types of things.

7 Q Did you provide any services related to
8 recommendations to Omega World Travel?

9 A I know Dawn worked closely with the owner
10 -- her name is Gloria, but I don't remember her last
11 name.

12 Q What about her personally?

13 A No, again, just the research.

14 Q Did you do research?

15 A For the mutual funds and the 401(k) plans.

16 Q To recommend to the 401(k) commodity or

17 whatever oversees their 401(k) plan?

18 A Yes.

19 Q Again, you could do the research, provide
20 your information to Dawn, correct?

21 A Correct.

22 Q She would then relay it in meetings or
23 whatever communications with Omega World Travel?

24 A I did attend a couple of employee seminars
25 that I went to over the years.

1 Q You just mentioned prior to that, that Ms.
2 Bennett provided some kind of service to the head of
3 the company?

4 A Yes.

5 Q The president, the CEO --

6 A I don't remember her title.

7 Q A woman, though?

8 A Yes.

9 Q Do you know her name?

10 A Gloria.

11 Q Do you know what types of services were
12 provided by Ms. Bennett to Gloria?

13 A And her husband, too. I don't remember

14 his name. Yes, just the short-term corporate cash.

15 Q When you say "short-term corporate cash,"
16 can you parse that out for me? What exactly do you
17 mean?

18 A A lot of companies will have an operating
19 account they use for short-term projects, long-term
20 capital expenditures and repairs or organic growth

21 types of things where you build a building or
22 something like that; those type of moneys that would
23 traditionally be maybe less than a year time

24 arising. It could be a six-month bond. It could be
25 a treasury bill --

1 started this program from scratch from the start
2 with zero -- I want to say in the six, seven, eight
3 range again, something like that.

4 Q '06, '07, '08?

5 A Yes.

6 Q How much money are we talking about during
7 that time period was included in the funds?

8 A \$200,000. It's still a very small
9 account, small staff.

10 Q Were any other services provided, to your

11 knowledge, to Triumphant, like cash benefits?

12 A No, not to my knowledge.

13 Q When did Stateside 401(k) become a pension
14 client?

15 A Prior to '97. They've been a client for a
16 very long time.

17 Q A pension client?

18 A Yes. Well, 401(k) and a profit-sharing
19 plan.

20 Q What's the amount of money here?

21 A Two-and-a-half million roughly.

22 Q Fluctuating a little bit over time?

23 A Exactly.

24 Q I notice not included in this list is
25 Mount Vernon Ladies Association. Were they a pension

1 client?

2 A No.

3 Q Was the Mount Vernon Ladies Association a
4 client of some kind?

5 A Yes, they were.

6 Q What kind of client were they?

7 A Broker/dealer client.

8 Q When did they become a broker/dealer
9 client?

10 A I don't recall the time frame. I knew

11 they were in '08; so somewhere in late 2007

12 beginning of 2008, somewhere in that time period.

13 Q Do you know how much money at that time,

14 just initially, the association -- the amount of

15 money that they wanted invested and managed by the

16 Bennett Group?

17 A Started with five million, and it grew to

18 maybe 30, 35 million, somewhere in that range.

19 Q Do you know when Mount Vernon Ladies

20 Association ceased to become a client?

21 A End of November 2011, I believe. They

22 wanted to go a different route. They wanted hedge

23 funds in their portfolio, and we don't do hedge

24 funds. We lost them as a client.

25 Q Did you, yourself, provide any services to

1 the association money?

2 A Yes.

3 Q What did you do?

4 A Research reports, direct research reports
5 to the CFO.

6 Q Who was that at the time?

7 A Barton Groh.

8 Q G-R-O-H?

9 A Correct. He was the CFO at the time.

10 Q Did the Bennett Group or anyone at the

11 Bennett Group have trading authority in Mount Vernon

12 Ladies Association accounts?

13 A We had non-discretion -- none of our

14 clients are discretion.

15 Q Okay. Thank you.

16 A Except for Robbin Mayor, because she was

17 on the registered investment advisory plan.

18 Q Were there any other services provided to

19 the Mount Vernon Ladies Association, other than

20 serving as the registered rep to their brokerage

21 account?

22 A There were a couple of different things

23 Dawn had provided to them. Barton came to us and

24 said, Can you help us consolidate our two pension

25 plans into one, but we don't want you as the

1 and wait until it becomes liquid or anything like
2 that?

3 A I did not.

4 Q Did you have any conversations, yourself,
5 with Mr. Groh about it?

6 A No, I did not have any conversations with
7 him. I remember the day he called, though, because
8 Dawn had told me about that.

9 Q What happened?

10 A That was the date he called about the -- I

11 think it was February of 2008 when the markets
12 actually froze.

13 Q Do you know how much money was actually
14 tied up in the auction rate securities?

15 A Several million. I don't remember the
16 exact number.

17 Q Do you have an understanding for the time
18 that the Mount Vernon Ladies Association was a
19 client, what their total endowment was roughly?

20 A Outside of what we managed that was not
21 held at JPMorgan or Royal, would be 300 million,
22 somewhere in that range. That's just an estimate.

23 Q I think I neglected to ask you about the
24 -- I want to go back and ask you a little bit about
25 the broker/dealer work and how it's set up. Of the

1 client accounts that you currently and have had in
2 the last five years or so, is there a monetary
3 threshold below which Bennett Group will not except
4 a client?

5 A No, I don't believe there is. We have
6 several small, simple IRA plans. We might have
7 forty employees on a plan. Some of the clients have
8 \$3,000; some have \$200,000. If we can help them, we
9 wouldn't really hold that to -- there is no low
10 limit.

11 Q In terms of Bennett Group Services as a
12 registered representative, individual clients as
13 well, correct, not just --

14 A Oh, yes, individual clients.

15 Q Is there any threshold there for
16 individual clients below which you won't accept a
17 client?

18 A No. We have IRAs that have \$2,000 in
19 them.

20 Q Do you currently have individual clients
21 with assets over one million dollars?

22 A Yes.

23 Q Do you currently have individual clients
24 with assets over five million dollars?

25 A Individual clients, not pensions, I don't

1 couple other questions.

2 For Dimension Data, you mentioned that Ms.
3 Bennett provides some short-term cash corporate
4 advice. Was the Bennett Group or anyone else paid
5 for those services?

6 A For those services?

7 Q That didn't relate to the 401(k).

8 A No.

9 Q Why not?

10 A We were in hopes that we would get a

11 referral from them to other companies that they
12 worked with or activity manage and bring over some
13 other corporate assets and maybe grow some business

14 that way. We do a lot of prolong work to hopefully

15 -- because that's what we do. We advise. That's

16 what we do best. That's how we build 99 percent of

17 our business over the years is through referrals and

18 advising and helping people.

19 Q What about for Omega World Travel and the

20 additional non-pension-related services that you

21 said were provided? Was Bennett Group or anyone

22 else paid for those services?

23 A We were not paid for those services, not

24 to my knowledge.

25 Q Were there any agreements in addition to

1 whatever pension and paperwork was in place executed
2 for that addition service provided by the Bennett
3 Group to either Dimension Data or Omega World
4 Travel?

5 A Not for the short-term corporate stuff,
6 just for the pensions.

7 Q Did you, yourself, have -- forgive me if
8 I've asked you this -- have any direct communication
9 for the corporate advice that was given that you
10 just mentioned through Dimension Data, Omega World

11 Travel -- did you, yourself, correspond with anyone
12 other than Dawn about those kinds of extra services,
13 e-mail, telephone call, anything like that?

14 A No, not to my knowledge.

15 Q You, yourself, did not?

16 A Correct.

17 Q You don't recall ever having a discussion
18 with anyone at Omega or anyone at Dimension Data?

19 A No. Those are Dawn's contacts and
20 high-level conversations.

21 Q Do you, as a general rule for brokerage
22 clients, do you interact with individual brokerage
23 clients on a daily basis?

24 A Yes, I do.

25 Q Are there certain clients that only Dawn

1 that Bennett Group do and what have they done in the
2 last five years?

3 A Dawn will announce our phone number on a
4 radio show.

5 Q The radio show itself, is it a marketing
6 tool?

7 A I wouldn't say marketing tool. It's a way
8 for Dawn to continue to get out the message that we
9 do for our clients. What she does is take all of
10 our research that we've put together over the week,

11 on Saturday puts it all together, and Sunday spits
12 it out. So it's part of that process, letting the
13 world know what is going on in the economic

14 environment. And she'll mention Bennett Group
15 Financial Services there, too.

16 Q Is part of the idea of the radio show,
17 though, that you'll hope that you'll get clients
18 that are interested or perspective clients that are
19 interested and they'll call in and say, I'd like to
20 be your client?

21 A I think that's a small part of it. The
22 huge benefit that Dawn gets from it is that it's a
23 structured way for her to formally put together all
24 the research that she's done throughout the week and
25 memorialized that. It's a good way for her to do

1 that. She loves to help people and advise people,
2 so I guess it's mostly that, but a little bit of
3 marketing and hopefully we get a new client or two.

4 Q Does she still do the radio program?

5 A Yes, every Sunday.

6 Q Is it scripted?

7 A No.

8 Q Does she develop -- as you mentioned --
9 the things she wants to talk about, though,
10 beforehand? It's not just, Let's throw it out and

11 see what happens or what comes up?

12 A No. She'll have kind of like a monologue,
13 I guess is the best way to say -- then we'll have a
14 guest for twenty minutes. Then we'll have some

15 questions from callers who will comment on a topic
16 that she might have talked about or question for the

17 guest that we might have. Then at the end, she'll

18 give some more commentary on the market.

19 Q Do you play any role on developing the
20 topics that are going to be covered on the radio
21 show?

22 A No. The market kind of dictates that. I
23 put together -- you know, returns for different
24 sectors, for internal use, and she uses some of
25 those numbers on the show.

1 Q But you do provide some of the data, the
2 underlying data for her to incorporate into her
3 general outline of what she wants to talk about?

4 A Absolutely. Whatever happens throughout
5 the week that is interesting, I probably should
6 share that with our listeners. I'll mark that, send
7 it to her. It could be a Bloomberg article,
8 something from the Gold Counsel. Or sometimes
9 clients e-mail in articles that they've read in Wall
10 Street Journal that I might not have caught. I only

11 read the left-hand column of the Wall Street
12 Journal. I'm not interested in all of the other
13 commentary. Clients sometimes -- or a listen --

14 will send in, Did you see this? That's interesting.
15 Most of it. There are newsletters and things, which
16 we don't have an interest in.

17 Q Does the Bennett Group pay for the radio
18 time?

19 A Oh, yes. I don't know what the cost is.

20 Q There is an individual who serves as the
21 moderator of the radio show, the host?

22 A I guess Dawn is the host.

23 Q Isn't there another individual also
24 included?

25 A We had a gentleman to help Dawn start

1 really no need for preparation or anything like
2 that.

3 Q Does the Bennett Group continue to have a
4 website?

5 A We still have our website
6 www.BennettGroupFinancial.com.

7 Q Does the Bennett Group issue press
8 releases? Have they in the last five years?

9 A Maybe the last five years, I think we had
10 a couple press releases that we sent out internally.

11 It came from us, not from a PR firm -- you know,
12 Dawn is going to be on this show or something like
13 that. I don't recall any of those recently.

14 Q I get the sense there weren't a lot of
15 press releases issued by the Bennett Group?

16 A No.

17 Q What types of subjects did they cover?

18 A Usually the PR would release that Dawn is
19 going to be on NBC Nightly News tonight; you might
20 want to listen. We would send it to our clients.

21 Q By e-mail?

22 A Yes.

23 Q Did you have any type of mail marketing
24 that the Bennett Group has done over the last five
25 years, sending out hard copy information to clients

1 or perspective clients?

2 A Nothing on the marking scale, no, not that

3 I can recall.

4 Q Nothing on a marketing scale --

5 A Nothing we couldn't send out massive mail

6 or --

7 Q You've never done that?

8 A I don't believe so.

9 Q I believe that the Bennett Group has
10 submitted documentation to Barron's in the last

11 several years for various rankings; is that correct?

12 A Yes.

13 Q Have you played any role in making or

14 submitting the documentation to Barron's?

15 A Yes. Dawn, myself, Tim, the whole staff,
16 we usually help provide data for that.

17 Q What did you do?

18 A Help calculate different numbers and
19 things.

20 Q For all of them or anyone specific we
21 should focus on?

22 A I think all of them, if I remember
23 correctly.

24 Q Let's mark a few exhibits here, 5, 6, 7.
25 Have you had a chance to look at all of these. I

1 have three. The first one is Exhibit-5, and it's
2 Barron's Top 100 Woman Financial Advisers. Do you
3 see that? The date is June 8, 2009, correct?

4 (SEC Exhibit No. 5 was
5 marked for identification.)

6 A Correct.

7 Q Exhibit-6 is the Top 100 Independent
8 Financial Advisers ranked by Barron's in 2009,
9 correct?

10 (SEC Exhibit No. 6 was

11 marked for identification.)

12 A Yes, ma'am.

13 Q And Exhibit-7 is the 2011 Top Adviser
14 Ranking, Washington, DC, correct?

15 (SEC Exhibit No. 7 was
16 marked for identification.)

17 A That's correct.

18 Q Let's look at the first one, Exhibit-5,
19 which is the Top Women Financial Advisers. Do you
20 have any recollection of putting together

21 information for the Barron's submission related to
22 this ranking?

23 A I remember the ranking -- 2008, you said?

24 Q 2009 is the date it was published. Do you
25 recall participating in the submission?

1 A Vaguely.

2 Q Do you have any recollection of what you
3 actually did?

4 A There is a form they send out or a
5 spreadsheet. I remember helping to the data into
6 that spreadsheet.

7 Q You actually entered the information into
8 the spreadsheet? I'm assuming it's online?

9 A Yes, it's online.

10 Q Are you saying you actually input the

11 data?

12 A I helped put the data together, but I
13 didn't enter it into this particular spreadsheet; I

14 don't believe so.

15 Q Do you know who did for the various
16 submissions that were made, actually put it onto the

17 spreadsheet onto the computer?

18 A I would have to say -- I can't say without
19 certainly -- no, I don't --

20 Q You don't know for sure?

21 A It could have been Tim. Could have been

22 Dawn. I can't recall exactly who did that

23 particular one. I do remember participating and

24 calculating --

25 Q What was the purpose of making a

1 submission to Barron's for really all of them, for
2 these rankings? What was the thought behind doing
3 it?

4 A I know Dawn knew the editor or someone
5 high up in Barron's, and he had asked her to
6 participate in this. We said, Okay, we'll give it a
7 whirl and see what happens.

8 Q For what purpose?

9 A For doing him a favor and -- you know, we
10 were ranked five, then they wanted to do a picture

11 of Dawn. We said, Okay, this is good publicity.

12 Q Isn't that the real reason to do it, to
13 get publicity?

14 A I would guess, yes.

15 Q You don't know?

16 A I don't know what Dawn's real intentions

17 were for doing this. He said I'm doing my friends

18 at Barron's a favor. I remember her saying, Do you
19 think it's a good idea?

20 I said, If it doesn't cost anything, why
21 not, see what happens.

22 Q Did the Bennett Group use the rankings for
23 any of these years in its communications with

24 people, talking about their background of Bennett
25 Group or of Dawn Bennett?

1 A We did. We attracted the wrong type of
2 client with this particular type of marketing.

3 Q What do you mean?

4 A I think you guys are familiar with the
5 Devorah case -- Carrie Devorah. She had come to us
6 -- I believe she saw us in Barron's and came in. It
7 kind of attracts a strange type of client, which we
8 preferred not to have.

9 Q Strange in what way?

10 A She's very -- Carrie -- what's the word
11 I'm looking for? Litigious, I guess. I'm trying to
12 be kind.

13 Q So when things didn't go exactly the way
14 she wanted to, she decided she would sue or file
15 some kind of legal action?

16 A Exactly. And she made money with us the
17 whole time she was here, but was still not happy.

18 Exactly.

19 Q Not enough money?

20 A Yeah, I guess.

21 MR. BLOCK: She apparently sued everybody.

22 THE WITNESS: But, yes, we're not using
23 this anymore, the Barron's. It didn't bring any
24 good -- we'll try a marketing idea. If it works, it
25 works. I think it's the wrong type of clients. Our

1 clients that we want will be the ones that want
2 guidance, who want advice, who want to be part of
3 the process.

4 A lot of the times this will attract
5 do-it-yourselfers who want to buy the Vanguard Index
6 Fund and hold it forever and hope the market goes
7 up. They really don't want advice. They just want
8 someplace to park a trade. That's not what we do.
9 We like to help people achieve goals and understand.

10 So it attracted the wrong type of
11 client basically. So we gave it a whirl for a
12 couple of years. It really didn't bring a lot of
13 fruit to what we wanted.

14 BY MS. PAW:

15 Q Right.

16 A The radio show brings more people to us
17 that are closer to philosophy. They can hear Dawn
18 for 40 minutes talking about the market and what we
19 see, and there is a common ground for people there.

20 Q Exhibit-8, you'll see it says it's from
21 me. It's not actually from me, but it's an e-mail
22 string. I couldn't figure out how to get my thing
23 off of the top. If you'll look down -

24 (SEC Exhibit No. 8 was
25 marked for identification.)

1 A I see what you mean.

2 Q I assure you I didn't have any part in
3 this e-mail string. So from August 31, 2009 -- and
4 it's discussing the placement of the Bennett Group
5 as 26 on one of the lists. I don't believe it's
6 Exhibit-6. I believe it's number 6, right?

7 A Yes, you are correct.

8 Q Right. And Ms. Bennett saying in her last
9 entry here, It would be nice to get a few of those
10 calls. Do you see that?

11 A Yes.

12 Q I show you this just to kind of underscore
13 the idea that -- is it accurate to say that the hope
14 was that some good business would come out of the
15 appearance of the Bennett Group on these lists?

16 A Sure.

17 Q Number 6 here is the 2009 top 100 that we
18 just referred to where she was number 26. Do you
19 recall any involvement you had in preparing the
20 submission to Barron's for this particular ranking?

21 A Very similar to the June '09 one.

22 Q Do you recall specifically what
23 information you were tasked with pulling together?

24 A Assets and retirement plans, maybe the
25 number of accounts. Those are two that I remember

1 directly.

2 Q Would that also be true for Exhibit-7,
3 which is the 2011 ranking?

4 A Yes. Again, probably the number of assets
5 and retirement plans. I had frequent contact with
6 them and the number of accounts.

7 Q I'm going to show you Exhibit-9 and ask
8 for you to take a look at it, please. Have you ever
9 seen this before?

10 (SEC Exhibit No. 9 was
11 marked for identification.)

12 A Yes, this is what we would enter, the type
13 of questions that Barron's would ask.

14 Q Now, I believe even though there is not an
15 actual date on this -- at least not that I can see
16 -- I believe this corresponds to the 2011 ranking.

17 If you look at the numbers that are reported in the
18 ranking -- am I missing a page for 2011? Where is
19 she on 2011?

20 A Number 2.

21 Q That's right, number 2. The reported
22 numbers, if you go across, total assets, 1.8 billion
23 -- it's actually -- if you look at Exhibit-7, this
24 one, number 2, and you following across the total
25 assets recorded are 1.8 billion, correct?

1 A Yes.

2 Q Typical account is 3 million. Do you see

3 that?

4 A Yes.

5 Q And a typical net worth is 5 million?

6 A Yes.

7 Q So that's on Exhibit-7. If you look at
8 the information that is entered starting on page 4
9 with number 41, question 41, do you see that? Total
10 individual assets?

11 A Yes.

12 Q 1.8 billion, correct?

13 A Yes.

14 Q And then the other questions are in some
15 of the -- I think it's repeated a little bit on some
16 of the other pages. Number 42, the question number

17 42 on the Barron's submission, do you see that? It

18 says, Percentage of total of the 1.8 billion that is

19 stagnant, unmanaged assets, you receive no fees.

20 Do you see that?

21 A Yes.

22 Q And it says zero?

23 A Yes.

24 Q I think -- question 36, it says 3 million.

25 Do you see that?

1 A No.

2 MR. THOMAS: Were you *resulting for the
3 calculation of the 1.8 billion --

4 THE WITNESS: Dawn mostly would calculate
5 that. I know she asked me what we had at a
6 broker/dealer at the time. I can pull that off of
7 our Morecambe system.

8 BY MS. PAW:

9 Q The broker/dealer part?

10 A The broker/dealer.

11 Q Which, in 2011, was roughly what? Can you
12 quantify it?

13 A Maybe 10 to 400,000 (sic) that we held at

14 JPMorgan.

15 Q Four hundred million?

16 A I'm sorry, yes.

17 Q Okay.

18 A Again, that was an estimate.

19 Q I understand. In your own discussions with
20 clients, perspective clients, did you either in

21 e-mails or phone conversations talk about the ranks
22 at Barron's?

23 A I don't recall anything off the top of my
24 head where a client would have asked. Or if they
25 saw the ranking, of course, I think we had a couple

1 clients that acknowledged that, yes, we were
2 fortunate to be ranked.

3 Q What about in similar communications with
4 clients or perspective clients? Did you ever doubt
5 the amount of assets being managed by the Bennett
6 Group?

7 A Proposals and things, yes. I think we had
8 a number that was calculated for that time period in
9 certain proposals.

10 Q What was your purpose for including the

11 amount of assets managed in proposals and other
12 things like that? Why did you include it?

13 A General information about the firm.

14 Q Is it intended to show success?

15 A Success, no, because mutual funds -- a lot
16 of these companies have billions and billions of

17 dollars. I'm not sure if it's success. It's just

18 giving general knowledge to clients that -- you

19 know, we don't have \$10 in under management. We do

20 have some assets we do advise on to give them some

21 idea but not the success, no.

22 Q Let me show you Exhibit-10. If you'll
23 just take a few moments to take a look at it.

24 (SEC Exhibit No. 10 was
25 marked for identification.)

1 A Yes, this is an e-mail.

2 Q So Exhibit 10 is three pages, and it's an

3 e-mail --

4 A Yes.

5 Q -- between you and Connie McGinley?

6 A Yes.

7 Q On the very first page, the first date

8 here is September 13, 2010, correct?

9 A That's correct, yes, ma'am.

10 Q The very first page -- let me ask you

11 this: Who is Ms. McGinley?

12 A Connie McGinley is our branch manager from

13 Legg Mason, a former branch manager at Legg Mason. I

14 worked with her. She was our branch manager since I

15 was there since '99 through 2006, a good friend of

16 ours.

17 Q Do you have any kind of business

18 relationship with her?

19 A No.

20 Q Is she still involved in the securities

21 industry?

22 A She's retired.

23 Q Is she a client?

24 A She's not a client.

25 Q On the first page here, you told her, BGFS

1 is having another record year. We now manage a
2 little over 1.6 billion AUM, assets under
3 management, correct?

4 A Correct.

5 Q In your correspondence, do you make a
6 distinction between assets under management and
7 assets managed?

8 A I believe they mean the same.

9 Q What was your purpose in including this
10 figure, the 1.6 billion assets under management in

11 your correspondence with Ms. McGinley?

12 A Sure. I think she asked us how we were
13 doing. If I remember correctly, just letting her
14 know that -- she was worried about that we would
15 possibly fail because we went on our own.

16 Q What do you mean "went on our own"?

17 A We were very happy at Legg Mason, small
18 regional firm, good reputation out of Baltimore.
19 Chip Mason decided to spin off the brokerage
20 business in late 2005 to -- at that time, Smith
21 Barney, which changed names a couple different times
22 since then. We didn't want to work for a large wire
23 house. So that's how Bennett Group Financial
24 Services, LLC was formed. In February, they spun
25 off Legg Mason Wood Walker where --

1 that we were taught to calculate goes back to Legg
2 Mason days. Dawn and I remember several meetings
3 with our branch managers who have always told us --
4 you know, how do you calculate the AUM? I remember
5 him -- there was a two-part question. The money you
6 get paid for and you add it to money you don't get
7 paid for. Everyone does pro bono work in hopes of
8 getting more business from the compliant or getting
9 a good referral. We've always practiced that.

10 Barron's has a similar approach -- you
11 know, they report one number, but they ask to break
12 it down in there. It's ultimately reported as one
13 number. So that's what we did for the broker/dealer
14 side. That's what -- that included the assets that
15 were held in --

16 Q 2010?

17 A So that would have been Western
18 International assets plus whatever we were advising
19 privately for our clients that were not compensated
20 for.

21 Q Did you do the calculation yourself?

22 A No. Dawn would give me that number
23 because she works exclusively with those unique
24 clients that we had a good relationship with that
25 relied on our expertise.

1 Q Let me show you Exhibit-11, which is a
2 multipage document. Take a few minutes to look it
3 over if you could.

4 (SEC Exhibit No. 11 was
5 marked for identification.)

6 A There appears to be something missing.
7 Usually there is a name above from whom it's
8 addressed to, but that's irrelevant.

9 Q Well, it's not irrelevant, but we'll talk
10 about that after you take a look at it.

11 A Okay. I'm familiar.

12 Q So you mentioned that usually there is a
13 name at the top?

14 A Yes -- you know, the Smith family,
15 whomever this would be tailored for. Proposals will
16 always have a name on it. Then we would do the
17 calculations for -- I can't tell you who this was
18 tailored to. That's why I asked who the name was.

19 Q First of all, this is 27 pages, it looks
20 like, right?

21 A Yes.

22 Q It says -- it has kind of a cover page,
23 Dawn J. Bennett, Wealth Planning For A Sustainable
24 Future, right?

25 A Right.

1 Q Is there a -- for lack of a better word --
2 a templet that is then used to tailor information to
3 a specific customer or potential customer?

4 A This is a PowerPoint presentation that is
5 changed for a number of pages for clients and
6 things. So the first few pages will show up in just
7 about every -- you know, page 1 through 9 will show
8 up probably in most of the proposals.

9 Q You can go and find 1 through 9. They're
10 somewhere on the computer system in a PowerPoint.

11 You don't have to recreate it every single time?

12 A No.

13 Q The following pages are tailored to the
14 specific individual?

15 A To number 10 through 15, number 16 through
16 27 is updated, just general information, but that's
17 updated. Those things may change. 24, 25 are just
18 information that probably would stay the same. 26
19 would definitely be changed. 27 is just a general
20 conclusion that would usually remain the same.

21 Q Is this something used only for current
22 clients or is something like this developed to send
23 to prospective clients?

24 A Prospective clients.

25 Q Just to prospective clients or both?

1 A Just prospective clients.

2 Q So you obviously have to gather quite a
3 bit of information from them in order to develop
4 this plan, correct?

5 A Yes.

6 Q Does this look like it was, in fact,
7 developed for a specific client; we just don't know
8 who it is?

9 A Exactly. You can see something covered up
10 in the name I believe.

11 Q That's the way we received it, so I didn't
12 take it off. I don't know who it was designed for.

13 A You can see some line or something, but

14 yes, there is always three lines: Name of the
15 client in parenthesis --

16 Q This one on page -- I think it says page
17 3. It gives us a date, February 8th, 2011, correct?

18 A Yes.

19 Q Is this something you, yourself, have used
20 in sending to prospective clients?

21 A Prospective clients, yes.

22 Q If we could go through it just a little
23 bit, page 4, General Description; page 5 kind of
24 gives a general overview of the type of work that's
25 done, correct?

1 A Yes.

2 Q Twenty years of experience in the
3 financial services industry, right? It mentions
4 that in the first paragraph.

5 A Correct.

6 Q The second paragraph talks about the
7 personnel, correct?

8 A Yes.

9 Q 1.5 billion in assets under management,
10 correct?

11 A Correct.

12 Q BGFS is affiliated with JPMorgan. Can you
13 explain to me what that affiliation was at that
14 time?

15 A Again, almost 100 percent of our business
16 at that time was on the broker/dealer side. Our

17 broker/dealer was Western International. All of our

18 assets are held at JPMorgan. So there are -- whom
19 we clear our trades through, and they hold our
20 assets. So JPMorgan really -- not holds the assets.

21 Bennett Group is the financial adviser and Western
22 International is the broker/dealer that kind of
23 monitors -- all three of us monitor each other.

24 So there is really three different tiers
25 to Bennett Group's existence, I guess, in this

1 particular case.

2 Q Okay. You mentioned the first 10 pages or
3 so are standard used in every compilation that is
4 sent out to prospective clients; is that right?

5 A That's correct?

6 Q Do you know who created the first 10
7 pages?

8 A I did, yes.

9 Q So on page 7, for instance, you have the
10 background of Ms. Bennett. Education, experience,

11 correct?

12 A Yes.

13 Q Awards, memberships. Do you see that?

14 A I do.

15 Q You included the ranks, I see?

16 A Yes.

17 Q What was the purpose of including the
18 Barron's rankings?

19 A They felt like giving general information
20 about our firm. We felt that was important
21 information to relay to a perspective client.

22 Q To instill some kind of confidence in her
23 ability hopefully?

24 A Yes.

25 Q So there's a number -- page 8, there is a

1 number of things. The media recognition, her radio
2 show, correct?

3 A Yes.

4 Q Her television shows that she's appeared
5 on?

6 A Correct.

7 Q So a lot of the things that she's done to
8 get her name out there and information out there
9 you've included on here?

10 A Correct.

11 Q Do you still use this type of presentation
12 for prospective customers?

13 A We do.

14 Q Is it the same one?

15 A No. We've removed the Barron's, as we
16 said we would. Everything else I think is basically

17 the same unless something else was added, which I

18 don't think so. Award or membership or media.

19 That's still the same. Like I said, just the

20 Barron's is probably the only thing we removed from

21 that like we said we would.

22 Q What do you mean "like we said we would"?

23 A I think in our response letter that we

24 sent --

25 Q To the staff?

1 A Exactly. We don't report the assets under
2 management, because there is still some confusion
3 there --

4 Q When did you stop using that?

5 A Whenever -- 2011.

6 Q Sometime after the exam staff --

7 A Exactly. I don't recall the exact dates,
8 but --

9 Q I want to talk about this later, but page
10 12 is the 10-year summary. Do you see that, through

11 December 31, 2010?

12 A I do.

13 Q Did you have any role in calculating the

14 BGFS model returns at this point or at any point in
15 the last 5, 6 years?

16 A Yes. We engaged -- let me back up.

17 Ashland Partners, we engaged them to help us put

18 together a model. They asked us for a series of

19 data and documents that back up even further than

20 that. When we started -- when we went on our own in

21 2006, we went back to Legg Mason and approached our

22 legal counsel there and asked, Who do you guys use

23 for performance for the mutual funds at Legg Mason?

24 Legg Mason had their own mutual funds.

25 He had recommend Ashland, so we engaged

1 your compensation would be 25 basis points on those
2 assets?

3 THE WITNESS: On those assets, yes, sir.
4 And clients have other accounts with us, too, so
5 they might not have had their full portfolio. They
6 could have had their Roth IRA in something
7 different. They could have been buying and selling
8 stocks. Again, these are nondiscretionary accounts
9 so the client makes the final decision in what they
10 invest in.

11 BY MS. PAW:

12 Q Let me show you Exhibit-20. Are you
13 familiar with this chart?

14 (SEC Exhibit No. 20 was
15 marked for identification.)

16 A I am, yes.

17 Q So it's the portfolio returns chart data
18 through December 31, 2009? Do you see that?

19 A I do.

20 Q There is a schedule of returns and the
21 model portfolio that's listed year to date through
22 August 17, 2010?

23 A Correct.

24 Q One year, three year, five year, ten year,
25 correct?

1 A Correct.

2 Q The model portfolio did not exist in 1999;
3 is that right?

4 A Model portfolio -- yes.

5 Q It did exist?

6 A Yes, it went back, I believe, to '97. And,
7 again, I don't have that in front of me, but '99
8 definitely.

9 Q Tell me how the returns were calculated.

10 Maybe my first question should be: Did anyone at

11 the Bennett Group calculate returns for the model

12 portfolio independent of anything that Ashland did.

13 Did anyone at the Bennett Group calculate portfolio

14 returns?

15 A For the model, no.

16 Q Didn't Ashland just actually verify the

17 calculations already done by the Bennett Group?

18 A No, they took the data and helped us

19 create the returns for that.

20 Q What do you mean "create the returns"?

21 A They took the contemporaneous documents

22 and figured out what we owned and what we didn't own

23 for those years and verified numbers, verified

24 returns, put them in a quarterly update and went

25 back to '97/'99. Whatever the year was, I don't

1 were pretty close. There was probably a four-year
2 average, a 3 percent deviation, I think it was 3.2
3 percent to be exact in the average return.

4 It showed that the model portfolio was
5 pretty close to what our clients were achieving of 7
6 out of 10, where we had 70 or 80 percent
7 participation ratio in the model. Not all clients,
8 because, again, they don't do exactly what we ask
9 them. Taking a tax loss or taking distributions
10 aren't part of the model. That is something you

11 can't quantify, so, of course, that's going to skew
12 that number, but that's some of the differences that
13 we saw there.

14 Q You are saying -- let's say you were
15 looking at Exhibit-20, for any given client, even
16 though the returns of the model portfolio are
17 whatever is listed here in the green column, any
18 given client might not see that kind of return?
19 Could be way off, could be close, depends on what
20 they decide to do, right?

21 A That's correct.

22 Q Down in the bottom, what does it say at
23 the bottom?

24 A It should not be assumed that all clients
25 follow VGF portfolio. Actual client investments are

1 made with client's investment objectives, risk
2 tolerance. Actual performance of client accounts
3 may differ. Historical rate of returns may not be
4 indicative of future returns.

5 Q Is this table, if you will, it's printed
6 out nicely in color here. Is the kind of thing that
7 would be given to clients or prospective clients?

8 A Yes.

9 Q They would want to know about the track
10 record of the Bennett Group?

11 A Absolutely, if they were with us in a
12 certain year, if they followed all our
13 recommendations, what would it look like, this is
14 what it would look like.

15 Q These bullet points down at the bottom,
16 are these something that were included at Bennett's
17 initiative or was it recommended by Ashland or
18 someone else?

19 A Ashland and Western. I asked them what
20 disclaimers do and that's what they came up with.

21 Q Who at Western?

22 A Brad Kaiser.

23 Q To your knowledge, was this disclaimer
24 language then part of the communications that anyone
25 who got the tables of returns they got the

1 disclaimers as well?

2 A That's my understanding as well, yes.

3 Q Have you ever sent out anything out like
4 this? I know there were several years that had
5 these kinds of tables with returns on them. Had you
6 ever used them yourself in giving them to
7 prospective clients or current clients?

8 A Dawn and I have, yes.

9 Q Do you send them by mail or e-mail or
10 both?

11 A E-mail.

12 Q Let me have you take a look at Exhibit-21.
13 You read it through?

14 (SEC Exhibit No. 21 was
15 marked for identification.)

16 A Yes.

17 Q Again, a series of e-mails, an e-mail
18 string, Bate stamped BGFS 0190836 through 39.
19 dealing with Janet Tancredi, right, who is not a
20 client and has never been a client, correct?

21 A That's correct, I do remember her now.

22 Q You do remember her?

23 A Yes.

24 Q You were CCed on this, although I don't
25 believe you were the author of any of the e-mails;

1 is that correct?

2 A That's correct.

3 Q The draft e-mail here from Michelle Morris
4 requesting approval includes a table similar to one
5 that we see in Exhibit-20 with returns. Do you see
6 that?

7 A I do.

8 Q But it does not include any of the
9 disclaimer language. Do you see that?

10 A I do see that.

11 Q Do you know if that was routinely left off
12 of communications?

13 A No, but I do remember we had to write up

14 ~~Ms. Morris because she was leaving off disclaimers~~

15 that were needed. I would have to go back and look
16 to see it that was the time period.

17 Q But Dawn approved it, didn't she? She
18 said yes?

19 A Yes, and after the fact I do believe I had
20 mentioned to her that the e-mail was missing the

21 ~~disclaimer and --~~

22 Q You had mentioned to her, meaning Michelle
23 Morris or you mentioned to Dawn?

24 A To Dawn, and I think we had to write her
25 up for that.

1 THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

2

3 In the Matter of:)

4) File No. P-01774-A

5 BENNETT GROUP FINANCIAL SERVICES)

6

7 WITNESS: Bradley C. Mascho

8 PAGES: 158 through 398

9 PLACE: Securities and Exchange Commission

10 100 F Street, N.E., Room 7

11 Washington, D.C. 20549

12 DATE: Friday, December 5, 2014

13

14 The above-entitled matter came on for hearing,

15 pursuant to notice, at 9:28 a.m.

16

17

18

19

20

21

22

23

24 Diversified Reporting Services, Inc.

25 (202) 467-9200

[12/5/2014] MASCHO_BRADLEY_20141205

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[12/5/2014] MASCHO_BRADLEY_20141205

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P R O C E E D I N G S

1

2

MR. RINALDI: On the record at 9:28 a.m.

3

Ms. Mascho, will you raise your right hand?

4

Do you swear to tell the truth, the whole

5

truth, and nothing but the truth, so help you God?

6

THE WITNESS: I do.

7

MR. RINALDI: Thank you.

8

THE WITNESS: You're welcome.

9

MR. RINALDI: Before we went on the record, I

10

put three documents in front of you: the formal order of

11

investigation in this matter, a supplemental order, and

12

what I've marked as Exhibit 1 or what's actually been

13

previously marked as Exhibit 1, the Commission's

14

Supplemental Form 1662.

15

Have you had an opportunity to review those?

16

THE WITNESS: I have.

17

MR. RINALDI: Do you have any questions about

18

them?

19

THE WITNESS: I do not.

20

MR. RINALDI: Okay. Do you understand that

21

you've just taken an oath?

22

THE WITNESS: I do.

23

MR. RINALDI: And you understand the oath

24

obligates you to tell the truth at today's testimony,

25

correct?

1 MR. RINALDI: For the record, could you state
2 and spell your full name?

3 THE WITNESS: Bradley Carl Mascho, B-r-a-d-l-e-
4 y, middle name C-a-r-l, last name Mascho, M-a-s-c-h-o.

5 MR. RINALDI: My name is Michael Rinaldi. I'm
6 here with Brendan McGlynn, and on the telephone is
7 Patricia Paw.

8 We are officers of the Commission for purposes
9 of this proceeding.

10 This is an investigation by the United States

11 Securities & Exchange Commission in the matter of Bennett
12 Group Financial Services, file number P-1774, to
13 determine whether there have been violations of certain

14 provisions of the Federal securities laws.

15 However, the facts developed in this
16 investigation might constitute violations of other

17 Federal or state civil or criminal laws.

18 Are you represented by counsel here today, Mr.
19 Mascho?

20 THE WITNESS: I am

21 MR. RINALDI: Would counsel please identify
22 themselves?

23 MR. McLUCAS: Bill McLucas, Wilmer Hale in
24 Washington.

25 MR. NIEMEIER: Charlse Niemeier, Williams &

1 Connolly.

2 MS. GOLDSTEIN: Dale Goldstein, Greenberg

3 Traurig.

4 MR. RINALDI: And are all counsel representing

5 Mr. Mascho in his individual capacity here today?

6 MR. McLUCAS: Yes.

7 MS. GOLDSTEIN: Yes.

8 MR. NIEMEIER: Yes.

9 Whereupon,

10 BRADLEY C. MASCHO

11 appeared as a witness herein and, having been first duly

12 sworn, was examined and testified as follows:

13 EXAMINATION

14 BY MR. RINALDI:

15 Q Mr. Mascho, other than your counsel, have you

16 spoken with anyone about this investigation?

17 A In response to the deficiency letter, but

18 besides that, no.

19 Q Okay. And who did you speak with with regard

20 to the deficiency letter?

21 A Our staff at Bennett Group.

22 Q Who, in particular?

23 A Dawn Bennett, Tim Augustin, Katie Pruess, John

24 Koorey, Stuart Rogers.

25 Q Anyone else?

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1 you ever asked to do that?

2 A Sometimes she'll ask, okay, what did gold do

3 last week --

4 Q Okay.

5 A -- and is there any news on gold?

6 Q Okay.

7 A Those types of things.

8 Q Would it be fair to say that Dawn discusses a
9 series of political and financial topics on the radio
10 show?

11 A Yes.

12 Q Okay.

13 Now, is your research typically about the

14 political issues or about the financial issues?

15 A Mine is just financial.

16 Q Okay.

17 A We don't do any of the political --

18 Q That's just Dawn's --

19 A That's Dawn.

20 Q And Dawn doesn't need your help --

21 A No.

22 Q -- determining what she's going to say about
23 the political issues.

24 A That's not my forte.

25 Q Okay. Does she ever talk about Bennett Group

1 Financial Services on the radio?

2 A She will mention -- yes.

3 Q Okay. Does she ever give the telephone number
4 of Bennett Group Financial Services?

5 A Every time.

6 Q Okay. Does she give the website address of
7 Bennett Group Financial Services?

8 A I'd have to go back and listen. I don't know.

9 Q Does she indicate what Bennett Group Financial
10 Services does during the radio show?

11 A Sometimes she may, yes.

12 Q Okay. Does she indicate that she is the chief
13 executive officer of Bennett Group Financial Services

14 during the radio show?

15 A I'm not sure she's ever said that.

16 Q Is it fair to say that the radio show is an
17 advertisement for Bennett Group Financial Services?

18 A It's an advertisement for it? That's not the
19 sole purpose of it, no.

20 Q Is that one of the purposes for it?

21 A Probably way, way down on the list. It would
22 be ancillary, at best.

23 Q Is there a compliance function at Western
24 International?

25 A A compliance function? I'm not sure what you

1 Q So, is it fair to say that the reason why
2 Bennett Group Financial Services submits the audio
3 recordings of the Financial Myth Busting radio show to
4 the compliance function at Western International for
5 review and approval is because it's an advertisement.

6 A It's considered advertising, I would say so,
7 yes.

8 Q Okay. And it's advertising for Bennett Group
9 Financial Services, correct?

10 A I don't know if I can make that -- is it for

11 Bennett Group or for Dawn? I'm not sure. Everything
12 runs through Dawn's I.D., so --

13 Q Okay.

14 A -- in essence it would be for Dawn.

15 Q Okay.

16 A Or for Bennett Group. You can probably say

17 either.

18 Q Okay. So, is it fair to say it's advertising
19 for both Dawn and Bennett Group Financial Services?

20 A Correct.

21 Q Okay.

22 A But if you're saying that's the sole purpose of
23 Financial Myth Busting, it's not. But it is -- it would

24 be considered, from a compliance standpoint, advertising.

25 So, yes, you're correct on that.

[12/5/2014] MASCHO_BRADLEY_20141205

1 Q Now, how much does Dawn get paid for doing the
2 radio program?

3 A I'm not aware of anything.

4 Q Okay. It's the case that she pays the radio
5 station for the time, correct?

6 A Yes.

7 Q Okay.

8 A We pay for the usage of the studio.

9 Q Okay. What is the current amount of assets
10 under management that Bennett Group Financial Services

11 has?

12 A I have no idea.

13 Q Is it \$5 million?

14 A I have no earthly idea. I don't even look at
15 that anymore.

16 Q When did you stop looking at it?

17 A Probably in 2012.

18 Q Okay. Why did you stop looking at it in 2012?

19 A Because of all this investigation and
20 questions, and until we understand fully what's allowed
21 and what's not allowed, I don't care what it is.

22 Q Okay. To your knowledge, is there anyone at
23 Bennett Group Financial Services who, since 2012, has
24 been monitoring the amount of assets under management?

25 A I'm not aware of anybody.

1 Q Since this investigation commenced, have you
2 and Dawn discussed either the current or historical
3 assets under management of Bennett Group Financial
4 Services?

5 A I don't recall any conversations, no.

6 Q Have you discussed that matter with Tim
7 Augustin?

8 A Tim? No.

9 Q Have you discussed that with anyone at Bennett
10 Group Financial Services?

11 A I have not.

12 Q Okay.

13 So, just prior to when you stopped looking at
14 this, in 2012, what was the amount of assets under
15 management of Bennett Group Financial Services?

16 A Again, I'm confused on how to -- what's right
17 and what's wrong. So, at this point, I can't tell you.

18 Q Was it ever \$2 billion?

19 A Was it ever 2 billion?

20 Q Yeah.

21 A Yes.

22 Q Okay.

23 A According to how we figured it, yes.

24 Q Okay. And explain to me how you figured it.

25 A Well, it's real easy. You look at -- there's

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1 several pools of money that we advise on and make
2 recommendations on.

3 Q Okay.

4 A The easiest one is the assets that are held at
5 your broker/dealer.

6 Q Okay.

7 A That would be the JPMorgan assets or the
8 Persian assets when we were at Royal.

9 Q Okay.

10 A We have annuities --

11 Q Okay.

12 A -- and those are held at the life insurance
13 companies.

14 Q Okay.

15 A We do some annuity business.

16 Q Sure.

17 A We have 529 plans, which are college savings
18 plans. Those are held, again, at the mutual fund houses
19 that are chartered for 529 plans.

20 Q Sure.

21 A It could be like the virginia savings plan

22 or --

23 Q Okay.

24 A Maryland's, I think, is Fidelity. So, assets
25 that you --

1 Q Sure.

2 A -- are the broker of record are there.

3 Q Okay.

4 A Cash value of life insurance policies.

5 Q Okay.

6 A Some of the variable universal life policies
7 will accumulate over time cash value --

8 Q Okay.

9 A -- because there's different assets that you
10 can invest in there, and clients will frequently ask,

11 okay, where should I be allocating my funds in there,

12 cause that's a savings vehicle.

13 Q Say that again?

14 A The life insurance policies.

15 Q Oh.

16 A The cash value.

17 Q Okay. That's still in the fourth bucket.

18 A Yes. The client will say my funds are in there

19 -- and life insurance can be used as a savings vehicle.

20 You can withdraw money in the future. So, they'll have -

21 - like a 401(k) or a TSP, they'll have 20 different

22 investments and they'll ask to allocate those.

23 There's our pension assets that are held away.

24 You know, it could be a 401(k) plan, 403(b), which you

25 will see in some teacher and universities --

1 Q Okay.

2 A -- not-for-profits, 457 plans, deferred
3 compensation plans, defined benefit plans.

4 Q Okay. Anything else?

5 A The next bucket is assets you don't hold, that
6 you make recommendations on.

7 Q Before you go to the -- you sort of gave six, I
8 guess, subcategories -- these are assets, whether it's
9 college savings plans, you know, IRA accounts, just
10 brokerage assets that are held by individual clients

11 of -- individual brokerage clients of Bennett Group
12 Financial Services.

13 A Most of those will be brokerage.

14 Q Okay. And you have one individual investment
15 advisory client, or at least did at the time, Robin
16 Mayor.

17 A Yes.

18 Q You would put her in that bucket, as well.

19 A Yeah. Well, that's -- again, that would be a
20 different bucket, cause those assets are held -- I think
21 they were held at Charles Schwab, if I remember
22 correctly.

23 Q Okay.

24 A I'm not 100-percent certain. It's been a while
25 since I looked at her file, but whatever assets that she

1 would have --

2 Q Sure.

3 A That's another bucket.

4 Q Okay. And what were the amount of her assets
5 prior to 2012?

6 A I want to say close to a million.

7 Q Okay.

8 A Maybe a little over, a little under.

9 Q Okay.

10 A I don't recall the exact dollars.

11 Q But at least, you know, during the 2009 to 2012
12 time frame, it was approximately \$1 million. It could
13 have been a little bit more or a little bit less.

14 A Correct.

15 Q Okay.

16 So, we have those funds, both the advisory

17 funds for Robin Mayor and the brokerage funds for the

18 brokerage clients of Bennett Group Financial Services.

19 What is the next bucket?

20 A The next bucket would be money that you advise

21 on, on a regular basis, that is not held at your

22 broker/dealer.

23 Q Sure.

24 A It's not in a life insurance policy.

25 Q Okay.

1 A It's not a municipal -- like the 529 plans are.

2 Q Yes.

3 A It's not an RIA type of fund, so it would be --
4 and you don't receive compensation for it, but you still
5 advise on it. You still give advice.

6 Q Okay. Did any funds of that sort exist from
7 the 2009 to 2012 time frame?

8 A Yes.

9 Q Can you provide any examples of that?

10 A Mount Vernon.

11 Q Anything else?

12 A Dimension Data.

13 Q Okay.

14 A Omega World -- Omega World Travel or Omega
15 Travel World, one of those two.

16 Q Okay. Anything else?

17 A I don't recall anybody else.

18 Q Okay. So, in that 2009 to 2012 time frame,
19 what was the amount of money being advised on for Mount
20 Vernon?

21 A I'd have to go back to my notes.

22 Q Can you provide an approximate amount?

23 A It might have been up to 100 million.

24 Q Okay.

25 A Again, I'm just trying to recall.

1 Q Okay.

2 A And I think they -- they left in either '09 or
3 '10.

4 Q Okay.

5 A So, they weren't '11 and '12.

6 Q Okay.

7 A Maybe even '10. I don't recall when they left.

8 Q Okay.

9 A It was November of one of those years.

10 Q What about Dimension Data? What was the amount

11 being advised on for them?

12 A That was quite large, if I remember correctly,
13 a billion-plus --

14 Q Okay.

15 A -- depending on -- and again, they left in
16 '11. So, I don't think they were in '12.

17 Q How much in fees was generated for the advice

18 provided to Dimension Data?

19 A For that bucket?

20 Q Yeah.

21 A We had their pension plan, so excluding the
22 pension plan, we received nothing.

23 Q Okay. Why is that?

24 A Pro bono work --

25 Q Okay.

1 A -- that Dawn did in hopes of getting more
2 corporate assets, keep the relationship fresh.

3 Q Okay. Where was the billion dollars kept?

4 A I have no earthly idea. I never had a
5 conversation with them, so I don't know.

6 Q What kind of business is Dimension Data?

7 A They do some kind of processing.

8 Q Okay. Where are they based?

9 A I think South Africa, maybe.

10 Q Okay. And was the money held domestically or

11 somewhere else?

12 A I think a combination.

13 Q Okay. And how do you know that?

14 A Just from conversations -- Dawn told me.

15 Q Okay. What did Dawn tell you about the billion
16 dollars-plus she was advising on for Dimension Data?

17 A A lot of it was short-term cash, bonds,
18 currency.

19 Q Okay.

20 Was it all of those things or just some of

21 those things?

22 A I don't recall exactly what.

23 Q Okay.

24 What types of bonds?

25 A Short-term.

1 Q Okay.

2 A Less than a year.

3 Q Do you recall what currencies were involved?

4 A I don't, no.

5 Q Who else in your office was involved in the
6 advice provided to Dimension Data other than Dawn?

7 A Just Dawn.

8 Q Okay.

9 A I'm not aware of anybody else having
10 conversations with those people at Dimension Data.

11 Q Who were the people at Dimension Data that she
12 was advising?

13 A The only name that I can recall was the

14 gentleman that we first met, Adrian something. I don't
15 recall his last name.

16 Q And during what period of time was the advice
17 being provided to Dimension Data?

18 A Up to 2011.

19 Q Okay.

20 A I don't know when that actually stopped.

21 Sometime in '11.

22 Q Okay.

23 A March of '11, the first quarter. When did it
24 start? Sometime before 2005.

25 Q Okay. And how did you know it stopped in March

1 A Yes.

2 Q Okay.

3 Is it fair to say that that chunk from
4 Dimension Data would make up a large part of that 1.1 to
5 2 billion dollars' worth of assets?

6 A It made up a large part, yes. I don't know
7 what percentage, but yes, generally.

8 Q At least around half, correct?

9 A I'd have to look.

10 Q Are you aware of anyone at Bennett Group

11 Financial Services doing anything to verify the claims
12 with respect to the assets under management that Bennett
13 Group Financial Services had?

14 A I'm not sure what you mean by that.

15 Q Okay.

16 Let me step back for a second.

17 Did Tim Augustin ever question you or Dawn

18 Bennett about claims that were made regarding the amount
19 of assets that Bennett Group Financial Services had,
20 including through the Barron's publication?

21 A When we were collecting the data, I think he
22 asked -- the brokerage assets look familiar -- he'd asked
23 a couple of questions like that. That's all I recall.

24 Q Did he ever express surprise at the number set
25 forth in the 2009 Barron's article of \$1.1 billion?

1 A The pensions?

2 Q Yes.

3 A I don't recall if he did anything there.

4 Q Okay.

5 Are you aware of him ever delegating any of his
6 duties as chief compliance officer to anyone else?

7 A I don't.

8 Q How did he come to be the chief compliance
9 officer?

10 A I don't recall how that came about. That was
11 so long ago.

12 Q Do you know who was responsible for the
13 decision to name him as chief compliance officer?

14 A Ultimately, Dawn.

15 Q What qualifications did he have to be chief
16 compliance officer?

17 A What qualifications? Licensed and bonded,
18 insured, had some experience. That's all I know.

19 Q Did you regard it as among his responsibilities
20 to confirm the accuracy of claims that were made about
21 Bennett Group Financial Services including the amount of
22 assets under management it had?

23 A No.

24 Q And whose responsibility was that?

25 A Our compliance department, which is Western and

1 A I don't know. I don't recall.

2 Q Okay.

3 MR. McLUCAS: Can I ask a question?

4 MR. RINALDI: Sure.

5 MR. McLUCAS: How do you know that? I mean, do
6 you know it personally? Did you give it to him? Or is
7 that what you just assume is the case?

8 THE WITNESS: I know it was sent to them.

9 MR. McLUCAS: How do you know it?

10 THE WITNESS: I remember somebody asking
11 somebody -- and I don't know who, but you know, the --
12 you know, there was, you know, some kind of email
13 probably sent. I'm not sure.

14 BY MR. RINALDI:

15 Q And who was responsible for that? For sending
16 the information to Western International's compliance
17 officer for review and approval?

18 A Tim, Dawn, or myself.

19 Q Who was actually responsible for it?

20 A One of the officers. It could be all three of
21 us.

22 Q Okay.

23 So, if -- if it wasn't submitted to Western
24 International, would that have been a mistake?

25 A If it wasn't?

1 Q Yes.

2 A Would it be a mistake? Yeah, it would be a
3 mistake.

4 Q And even if it were submitted to Western
5 International, is it fair to say that Western
6 International was relying on Bennett Group Financial
7 Services' numbers?

8 A I have no idea what they --

9 Q Are you aware of Western International ever
10 auditing those numbers to determine whether they were

11 accurate?

12 A I have no -- again, no idea.

13 Q Or doing any research regarding the veracity of
14 claims made about the assets or assets under management

15 by Bennett Group Financial Services?

16 A I'm not aware of any conversations with

17 anybody. I've never asked them. They've never

18 questioned me directly that I recall.

19 Q Okay. So, other than -- I know you mentioned
20 Ms. Bennett knows about the breakout of the assets under

21 management, because she obviously was aware of the

22 purported \$1 billion-plus for Dimension Data.

23 Who else at Bennett Group Financial Services

24 had knowledge of the total assets under management and

25 how that was made up?

1 A I'm not sure who would.

2 Q So, you're not aware of anyone else.

3 A Oh, at the time, I think Stuart knew.

4 Q Okay.

5 A Stuart Rogers.

6 Q Okay. And would Stuart have firsthand

7 knowledge, or would that only be from Dawn?

8 A Again, secondhand knowledge.

9 Q Okay.

10 A From Dawn.

11 Q So, is it fair to say the only person who had

12 firsthand knowledge of the various sources of money

13 outside of the brokerage assets was Dawn?

14 A That's correct.

15 Q Okay.

16 Obviously, the brokerage assets were

17 independently verifiable, correct?

18 A Yes.

19 Q But the other assets were not.

20 A Independently -- can you just rephrase that for

21 me?

22 Q Well, basically, with respect to the assets

23 other than the brokerage assets, the ones -- presumably

24 you get a report from Western International about the

25 total -- everything else came strictly from Dawn,

1 correct?

2 A As far as I know, that's correct.

3 Q And so you or anyone else at Bennett Group
4 Financial Services would have taken Dawn's word for it,
5 that there was, for instance, a billion dollars being
6 advised on for Dimension Data.

7 A That's a fair statement, yes.

8 Q There wasn't some business record at Bennett
9 Group Financial Services that you could have pulled that
10 would have reflected that amount?

11 A Just Dawn's notes.

12 Q Okay. And what kind of notes did Dawn prepare
13 about that?

14 A Handwritten.

15 Q Okay. And where are they?

16 A In various files.

17 Q Okay.

18 Did she ever use the form that we've marked as
19 number 46 for that purpose?

20 A She could have.

21 Q Are you aware of her actually doing it?

22 A Aware of her doing that?

23 Q Yeah. Using that form to document the amount
24 of assets being advised on?

25 A I would safely say yes.

1 use that. Like I said, I do not recall a physical --
2 like on the 25th of May of 2010, she wrote X, Y, or Z
3 down.

4 BY MR. RINALDI:

5 Q Regardless of whether you recall a particular
6 data where that may or may not have happened, are you
7 ever aware of her using a form such as that project
8 request form, number 46, to document the amount of assets
9 that Bennett Group Financial Services had or managed or
10 had under management?

11 A I'd have to say no.

12 Q Okay.

13 MR. RINALDI: I've put in front of you three

14 documents that have previously been marked. The first
15 one has a production number BGFS-0523182. It's a project
16 request form. It's marked as number 42.

17 THE WITNESS: Okay.

18 MR. RINALDI: Number 43 has a Bates number
19 ending 523181, also headed "Project Request Form." This
20 is number 43.

21 And then number 44 has a production number
22 ending 523183.

23 I'll give you these three.

24 Let's take a look first at number 42.

25 THE WITNESS: I have that in front of me.

1 MR. RINALDI: It's the one with the Bates page
2 ending 182.

3 BY MR. RINALDI:

4 Q Have you seen this document before?

5 A It's to me, so I must have at some point. I
6 don't recall it.

7 Q Okay.

8 So, how do you know it's to you?

9 A To B means Brad.

10 Q Okay.

11 A And from D means Dawn.

12 Q Okay. And so, if you look under the
13 project/comments section, do you recognize that

14 handwriting?

15 A That's Dawn.

16 Q Is all of the handwriting on this document

17 Dawn's?

18 A Yes.

19 Q And how do you know that?

20 A I've worked with Dawn for the last 15-plus
21 years. I know her handwriting.

22 Q Okay. So, you're familiar with her handwriting
23 and you recognize this to be hers.

24 A Yes, I do.

25 Q Okay.

1 A Again, I did research.

2 Q Okay.

3 A I went to Bloomberg.

4 Q Okay.

5 A I got what Dawn asked me to get.

6 Q Right.

7 A Gave it to her.

8 Q Okay. Did you do anything else?

9 A Beyond that?

10 Q Yeah.

11 A No.

12 Q Did you ever ask to speak to anyone at
13 Dimension Data or Omega World Travel?

14 A No. My role was to work on the 401(k) side.
15 That's who I worked with.

16 Q Right. But this --

17 A But these aren't 401(k)'s, so --

18 Q So, my question is, did you ever speak -- did
19 you ever ask to speak to anyone at Dimension Data or
20 Omega World Travel --

21 A Not my responsibility. Not my role.

22 MR. McLUCAS: The answer is no.

23 THE WITNESS: The answer is no.

24 BY MR. RINALDI:

25 Q Did you ever ask Dawn for any additional

1 set forth in those email messages from late November and
2 early December was caused by your dyslexia?

3 A No. I'm saying that I did not see it, and that
4 could be a reason.

5 Q Okay.

6 A I'm not saying, yes, that's the reason.

7 Q And it is your testimony that that phrase "no
8 cost" was in error, that it was incorrect.

9 A Yes, it was mis-typed, yes.

10 Q Okay. How long have you been in the securities

11 business?

12 A '97, I believe, or '96. I'd have to look on my
13 CRD, but it's been 18 years.

14 Q Is there any other instance that you can think
15 of where a similar problem manifested itself?

16 A No.

17 Q Can you think of any other time in your life
18 where a similar problem manifested itself?

19 A No.

20 MR. McLUCAS: Sorry. Which problem?

21 MR. RINALDI: The issue of missing words in
22 written work product.

23 THE WITNESS: No.

24 MR. RINALDI: I'm going to put in front of you
25 what's previously been marked as number 5.

1 BY MR. RINALDI:

2 Q Have you seen this document before?

3 A Yes.

4 Q Is this advertising for Bennett Group Financial
5 Services, number 5?

6 A Is this advertising? No, we did not pay for
7 this to be advertised.

8 Q Is all advertising paid for?

9 A I don't know. That's a good question. I don't
10 know.

11 Q Okay.

12 So, regardless of whether it's been paid for or
13 not, do you consider it or have you ever considered it to
14 be advertising?

15 A I really don't have a basis to say yes or no to
16 that.

17 Q Okay. So, you don't know.

18 A I don't know.

19 Q Okay.

20 So, here you'll see the total team assets, \$1
21 million. Do you see that there, towards the right hand
22 of the first page at the bottom?

23 A Total team assets --

24 Q Yes.

25 A -- 1.1 million.

1 correct?

2 A It says total -- total team assets.

3 Q Okay. Is that referring to AUM, or do you not
4 know?

5 A I'm not sure.

6 Q Okay.

7 A It doesn't say AUM, but that could -- one could
8 imply that.

9 MR. RINALDI: I'm going to show you number 6.

10 BY MR. RINALDI:

11 Q Have you seen this document before?

12 A Yes, I have.

13 Q Was it the case that the total assets in 2009

14 for Bennett Group Financial Services was 1.3 billion?

15 A Yes.

16 Q Okay. So, why, on the prior one, Exhibit 5, is

17 it shown as 1.1 billion?

18 A Different time periods. I have no idea.

19 Q Okay.

20 A What are the time periods?

21 Q well, this one says Top 10 Independent

22 Financial Advisors 2009, and Exhibit 5 --

23 A What was the date?

24 Q -- is June 8, 2009.

25 A Yeah, the second one. I'm talking about

1 Exhibit No. 6. I can't answer that, because I don't see
2 a date on here. I see 3/17/11, but this obviously was
3 printed after that.

4 Q Yes.

5 A So, no, I can't tell you.

6 Q Okay. So, between June of 2009 and the end of
7 2009, do you recall the amount of assets that Bennett
8 Group Financial Services had having increased by 200
9 million?

10 A I'd have to go back to our notes. I know we
11 supplied some -- some notes.

12 MR. RINALDI: Let's look at number 7.

13 BY MR. RINALDI:

14 Q Have you seen this document before?

15 A I recall it.

16 Q Okay.

17 A I don't know what the date, again, is.

18 Q Was it the case that Bennett Group Financial
19 Services had \$1.8 billion in assets in 2011?

20 A Yes.

21 Q Okay. So, how do you account for the increase
22 of approximately \$700 million between 2009 and 2011?

23 A The fluctuations of the different asset
24 classes.

25 Q All right. And which ones fluctuated the most?

1 Q Okay. But on the 2011 Barron's form, it's
2 showing 1.8 billion. So, are you saying that all of the
3 remaining assets of Bennett Group Financial Services
4 amounted to about \$200 million?

5 A No. What does a report in '10 have to do with
6 something that was reported in '11?

7 Q Well, this is at the end of -- this is at the
8 end of 2010, and it's showing close to 1.6 billion
9 dollars, and I'm sure you can see that that number seems
10 to be going up as time goes on, correct?

11 A Uh-huh.

12 Q Okay. Yes?

13 A Yes, that's correct.

14 Q At the very end of 2010, we're close to \$1.6
15 billion, right? And what's being reported on the 2011
16 list is about \$1.8 billion. I'm just wondering how you
17 square those two numbers.

18 A Again, we supplied something to you guys --

19 Q Okay.

20 A -- that walked us through that.

21 Q Okay.

22 A I don't have that in front of me.

23 MR. RINALDI: We'll mark as number 47 a

24 document with a production number BFS-0523126. This is
25 number 47.

1 (SEC Exhibit No. 47 was marked
2 for identification.)

3 MR. RINALDI: Those are handwritten notes. At
4 the top, it says Bradley C. Mascho, Assistant Vice
5 President, Registered Business Development Associate.

6 THE WITNESS: Yes, sir.

7 MR. RINALDI: Okay. That's number 47. And
8 then we'll mark as number 48 another handwritten
9 document. This one has a date of 12/31/2010, BGFS-
10 0523127. This is number 48.

11 (SEC Exhibit No. 48 was marked
12 for identification.)

13 MR. RINALDI: And then we'll mark as number 49
14 a handwritten document with the date of 6/10/2009,
15 production number BGFS-0523129. It's number 49.

16 (SEC Exhibit No. 49 was marked
17 for identification.)

18 MR. RINALDI: We'll mark as number 50 a
19 handwritten document dated 3/30/09, BGFS-0523128.

20 (SEC Exhibit No. 50 was marked
21 for identification.)

22 MR. RINALDI: We'll mark as number 51 -- this
23 is a set of documents with the Bates range of BGFS --
24 it's a document production from BGFS-0523119 through 123.
25 It's handwritten notes on the first page and some charts

1 and the like on the remaining pages. This is number 51.

2 (SEC Exhibit No. 51 was marked
3 for identification.)

4 MR. RINALDI: And then number 52, two pages,
5 BGFS-0523133 to 134, handwritten notes, and that is
6 number 52.

7 (SEC Exhibit No. 52 was marked
8 for identification.)

9 BY MR. RINALDI:

10 Q Are these the documents you're referring to, 43

11 to 52?

12 A Yes.

13 Q Okay.

14 Now, let's take a look at number 48. This is
15 the one dated 12/31/2010. Do you see that? With page
16 ending 127.

17 A Yes.

18 Q Can you just walk me through what this is?

19 A My handwriting.

20 Q Yes.

21 A Western assets, 338 million.

22 Q Yes.

23 A Annuities, roughly 7 million.

24 Q Yes.

25 A 529 plan assets, 1.8 million.

1 Q Yes.

2 A Pensions, 67 million.

3 Q So, that comes to just shy of \$414 million.

4 A That's correct.

5 Q Okay. So, now, if you look at number 43, this
6 is from roughly the same time frame, December of 2010.

7 Do you see that there?

8 A Yes.

9 Q Okay. So, that seems to put the number -- if
10 you add the \$25 million from Omega World Travel and the

11 close to \$1.6 billion from Dimension Data, that puts you
12 well in excess of \$2 billion. Is that your understanding
13 of what the number was in December of 2010?

14 A Yes. These were seven-day papers, so on the
15 28th, they could have spent some of that money.

16 Q When you're making representations -- when

17 Bennett Group Financial Services is making

18 representations to Barron's about how much assets it has,
19 how does it know whether or not Dimension Data spent all
20 or part of what at one time was \$1.575 billion?

21 A You'd have to talk to Dawn.

22 Q Okay.

23 A We relied on her notes and her telling us what
24 was there.

25 Q Okay. So, other than what's written on these

1 documents, if you take a look at 47, you have Western
2 International, pension, annuity, 529; the same thing on
3 48, right? On 49, you have the same plus the Mount
4 Vernon numbers there. Do you see that?

5 This is the only information that you supplied.

6 You never supplied any information with respect to
7 Dimension Data or Omega World Travel, correct?

8 A That's correct.

9 Q That was only Dawn.

10 A Yes.

11 Q And no one else.

12 A Correct.

13 Q Okay. What does the handwritten note on 49

14 mean -- with the question mark? See the circle, question
15 mark, and there's a line?

16 A Let me take a look at that.

17 (Witness examining document.)

18 THE WITNESS: No idea.

19 BY MR. RINALDI:

20 Q Is that your handwriting?

21 A No.

22 Q Whose handwriting is it?

23 A That's Dawn. That's her signature.

24 Q Okay. So, what was the purpose of 47, 48, 49,
25 50, 51, and 52?

1 A These are just calculating our assets under
2 management.

3 Q Okay. For what purpose, though?

4 A It could have been for the radio show. It
5 could have been for an email. It could have been for a
6 proposal. It could have been for a Barron's submission.

7 Q Okay.

8 A Any of those.

9 Q Is that something she regularly asked you to
10 do?

11 A Yes.

12 Q Did you ever have any discussions about the
13 assets not reflected on these documents?

14 A No.

15 Q Okay. So, all you did was supply your numbers,
16 and then she added whatever was in her mind, and then

17 said it on the radio or put it in the Barron's, correct?

18 A Correct. Or an email or a proposal.

19 Q Okay.

20 If you look on 51, what does the handwritten

21 note that follows the arrow --

22 A See me on this. I can't read the rest.

23 Q Is that last word "breakdown"?

24 A Could be. More than likely, yes.

25 Q It says they want to see an exact breakdown?

1 Q If Ms. Bennett came to you for information from
2 time to time -- we have several instances here -- 47, 48, .
3 49, 50, 51, and 52 -- for information about assets under
4 management, and you provided this information. Why did
5 you not undertake to get an understanding of the
6 Dimension Data and Omega World Travel numbers?

7 A Well, these are the ones that I have more
8 experience with --

9 Q Okay.

10 A -- and know where I can get the data from.

11 Q Okay. And where at Bennett Group Financial
12 Services could you get the data related to Dimension Data
13 or Omega World Travel?

14 A From Dawn.

15 Q And only Dawn.

16 A That's correct.

17 Q It's not kept in any records of the company.

18 A In our notes here.

19 Q In these notes?

20 A Not in these notes. In other notes that we

21 supplied to you guys throughout --

22 Q By that, you mean 42, 43, and 44?

23 A That's part of it, plus other -- other

24 handwritten notes that we supplied.

25 MR. RINALDI: I want to show you what's

1 previously been marked as number 39, and if you'd turn to
2 page 20, this is the transcript from January 16, 2011.
3 We're going to start on page 20 and then turn to 21.

4 BY MR. RINALDI:

5 Q Did Ms. Bennett, from time to time, make
6 representations about the amount of assets that Bennett
7 Group Financial Services managed on her radio show,
8 Financial Myth Busting?

9 A Yes. We supplied a spreadsheet with that
10 information --

11 Q Okay.

12 A -- quantified.

13 Q So, if you look at the January 16, 2011,

14 transcript, pages 20 and 21 --

15 A I'm there.

16 Q Okay. And you see at the bottom, "I mean, you
17 know, I do manage 2 billion in assets," right? How is
18 the \$2 billion number calculated?

19 A The same way that the other ones that you asked
20 me about --

21 Q Okay.

22 A All those different buckets of money from
23 brokerage assets, insurance, annuities, 529 plans,
24 unmanaged -- not unmanaged but un-custodian assets that
25 we affect on.

1 Q And that's including the Dimension Data
2 numbers.

3 A Dimension Data, the Omega World Travel, as
4 well.

5 Q And when did Ms. Bennett or you or anyone else
6 at Bennett Group Financial Services confirm the amount in
7 the Dimension Data bucket prior to the January 16, 2011,
8 radio show?

9 A Again, we'd ask Dawn.

10 Q Okay. Immediately prior?

11 A When we were -- if she'd ask to -- what's the
12 grand total --

13 Q Right.

14 A -- I would come to her with my numbers, what
15 are your numbers, we'd add them together.

16 Q And to your knowledge, did she ever get back on
17 the phone with Dimension Data to see whether it had spent
18 down any of the -- whatever it was -- 1.6 billion or 1.1
19 billion or whatever it was?

20 A I don't recall. I know she went back to her
21 notes.

22 Q Okay. Are you aware of any instance where
23 anyone at Bennett Group Financial Services went back to
24 either Dimension Data or Omega World Travel to confirm
25 the actual amount of cash that it had prior to making any

1 Q It's 47.

2 A I have it here.

3 Q Yes.

4 A Thank you.

5 Q So, in other words, is the date at the top --
6 each one of these has a date at the top. On 47, it's
7 9/30/10. On 48, it's 12/31/2010. On 49, it's 6/10/2009.
8 On 50, it's 3/30/2009. On 51, it's 12/31/2009. On 52,
9 it's 6/30/2010. And then the second page is 3/30/2010.

10 Is it your testimony that these documents were

11 created on those respective dates?

12 A Not on those dates but sometime after those
13 dates.

14 Q Okay. So, what do the dates refer to, then?

15 A The as-of date.

16 Q Oh, okay.

17 A So, like, for example, on 9/30 --

18 Q Okay.

19 A -- we had 66 million on the books, the
20 pensions, and at Western, we had 320.

21 Q I see. Do you know when, for instance, 47 was
22 created?

23 A I don't know.

24 Q Okay. Was it created sometime in 2010?

25 A Sometime in '10. More than likely.

1 have been responsive to any of the Commission staff's
2 investigative subpoenas -- would they have been solely in
3 the possession of Bennett Group Financial Services, as
4 opposed to you individually?

5 So, in other words, you don't have a set of
6 documents that's under your own control at home or in
7 some other location.

8 A No.

9 Q Okay. So, any subpoena that's served upon
10 Bennett Group Financial Services would provide the
11 documents or would cause the documents to be produced
12 that they call for as opposed to one being directed to
13 you individually, correct?

14 A Correct.

15 Q Okay.

16 MR. RINALDI: I'm going to show you documents
17 that we previously marked as number 40 and number 41.

18 BY MR. RINALDI:

19 Q Have you seen number 40 before?

20 A Yes.

21 Q what is that?

22 A It looks like the WSP, written supervision
23 policies, for Bennett Group. It looks familiar.

24 Q Is it the compliance manual for the Bennett
25 Group as an investment advisor?

1 A I believe so.

2 Q Okay. Were you involved in the authorship of
3 that document in any way?

4 A No, I don't believe I was.

5 Q Okay. Do you know who was?

6 A I don't recall who -- I think we hired somebody
7 to do it, but I don't remember who.

8 Q Okay. Do you know whether anyone at Bennett
9 Group received any templates for compliance manuals from
10 anyone?

11 A I'm not aware of any.

12 Q Do you recall anyone at Bennett Group revising
13 any suggested compliance manuals for use at Bennett
14 Group?

15 A No.

16 Q Is it fair to say that you don't know anything
17 about the authorship or drafting of what we've marked as
18 number 40?

19 A No.

20 Q Or the revision thereof.

21 A No.

22 Q Okay. And if you look at number 41, have you
23 ever seen this document before?

24 A I don't recall it.

25 Q Okay.

1 advice regarding any of the other subjects of this
2 investigation: AUM, performance claims, markups,
3 compliance generally, or anything else.

4 A None of those that I'm aware of.

5 Q So, to your knowledge, the only advice she
6 rendered was that Bennett Group Financial Services could
7 register under the pension exemption with the Commission
8 as an investment advisor.

9 A That's correct.

10 Q And you only know that secondhand.

11 A Secondhand, that's correct.

12 Q And that's the beginning and end of what you
13 know regarding Dawn Bond.

14 A Yes.

15 Q Okay.

16 MR. RINALDI: I've put in front of you what has

17 previously been marked as number 20.

18 BY MR. RINALDI:

19 Q Have you ever seen this document before?

20 A Yes.

21 Q Okay. What is it?

22 A It's a review of our model performance.

23 Q Now, this one page here, at the top it says

24 "Bennett Group Financial Services, LLC, Portfolio

25 Returns." Is this a standalone document or would

1 statements or something.

2 Q And why would account statements be necessary
3 in order to do what Ashland was doing?

4 A To show that the clients are actually holding
5 the funds --

6 Q Okay.

7 A -- that were in the model.

8 Q Okay. And why was that important that they
9 were actually holding the funds that were in the model?

10 A To provide the validity of the model.

11 Q Okay. So, in other words -- I guess I don't
12 understand.

13 If the model was something that you were
14 suggesting, right, why would it matter if any of the
15 clients were actually investing in it?

16 A To show that there was an actual recommendation
17 and someone took it.

18 Q Okay. So, I mean, I guess if you look at the
19 bottom here, it says, "Important notes: Actual
20 performance of client accounts may differ."

21 A Correct.

22 Q Did anyone tell you that that should be put on
23 as a disclaimer?

24 A Yes.

25 Q Who told you that?

1 A Ashland.

2 Q Okay. And was any reason given why that
3 disclaimer should be put on?

4 A Yes, because not all our clients followed the
5 model, so people don't want to be thinking that all our
6 clients follow the model, which they don't.

7 Q So, in other words, if it had simply been said
8 that, you know, we or Bennett Group had been experiencing
9 returns of X percentage without disclaiming that that was
10 simply a model, as opposed to actual performance, that
11 would be problematic.

12 A It depends on what time period.

13 Q In what time period would that have been okay
14 to say?

15 A Closer to 2010 and '11.

16 Q Why is that?

17 A Cause we had pretty close to 85-90 percent of
18 our clients there.

19 Q Okay. In the model.

20 A Yes.

21 Q So, 85 to 90 percent of the clients were in the
22 model in 2010 and 2011.

23 A Approximately.

24 Q All right. And is that by dollar amount or
25 number of clients?

1 Q Okay. Where was it prior to that?

2 A K Street. We were at 1400 K Street, Northwest,
3 Suite 500, Washington, DC 20006.

4 Q Okay. And since what time period?

5 A February '06 to August or September of '11.

6 Q And how long -- how long has your current
7 office telephone number been in effect?

8 A Since February of 2006.

9 Q Okay. Do you have an email address at Bennett
10 Group?

11 A Yes.

12 Q What is that?

13 A bmascho@bennettgroupfinancial.com.

14 Q Okay.

15 A And that's been the same since February of
16 2006.

17 Q Any other email addresses?

18 A No.

19 Q Any other office locations other than what
20 you've said to me?

21 A We were -- when I worked with Dawn at Legg
22 Mason --

23 Q Okay.

24 A -- that was 1747 Pennsylvania Avenue.

25 Q Okay. Are you currently married?

1 Stuart for a very long time.

2 So, I know what he loves to talk about, what
3 makes him happy. This job wasn't making him happy.

4 So, he got an offer to be a CEO, run his own
5 company from start to finish, in London.

6 So, for him to take that, he quit this job, he
7 sold his house in Napa. He loves wine, so he had a house
8 out there.

9 So, I knew that had to be something that he
10 really wanted to do, and so, he moved on, 'seems to be

11 doing well.

12 Q Is Ms. Bond the person in ultimate control of
13 Bennett Group Financial Services?

14 A Ms. Bond?

15 Q I'm sorry. Ms. Bennett.

16 A Oh, Ms. Bennett.

17 Q I'm sorry. Is Ms. Bennett in control of

18 Bennett Group Financial Services?

19 A Yeah, she has 92-percent ownership, so she's in
20 control, yes.

21 Q Are there any matters at Bennett Group
22 Financial Services that are not under her control?

23 A I'm not aware of any.

24 Q Does Ms. Bennett control hiring and firing at
25 Bennett Group Financial Services?

1 UNITED STATES SECURITIES AND EXCHANGE COMMISSION

2

3 In The Matter Of:)

4) File No. 3-16801

5 BENNETT GROUP FINANCIAL)

6 SERVICES, LLC and)

7 DAWN J. BENNETT)

8

9 ADMINISTRATIVE PROCEEDINGS - PRE-HEARING CONFERENCE

10 PAGES: 20 through 51

11 PLACE: Securities and Exchange Commission

12 1617 John F. Kennedy Boulevard, Suite 520

13 Philadelphia, Pennsylvania 19103

14 DATE: Thursday, December 31, 2015

15

16 The above-entitled matter came on for hearing,
17 pursuant to notice, at 11:00 a.m.

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24 Diversified Reporting Services, Inc.

25

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19 Also present:

20 Kevin Coleman, SEC Paralegal

21 Tamaqua Roland, SEC Paralegal

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25

1 Monday, then we won't need to worry about all of this
2 issue with witnesses. But barring that, my statements a
3 few minutes ago, Mr. Rinaldi, would stand. So go ahead.

4 MR. RINALDI: I'm very sorry, Your Honor. Can I
5 just raise two sort of related issues? The first is, I
6 want to be clear. If there is an event of default, if
7 Mr. Morvillo's client doesn't appear for a pre-hearing
8 conference or doesn't appear for the hearing, then the
9 allegations of the OIP will be deemed true and that all
10 we will be doing on January 25th then is dealing with the
11 remedies that stem from that liability?

12 JUDGE GRIMES: That's correct.

13 MR. RINALDI: The second is, is that we
14 currently have under subpoena, among others, Ms. Bennett
15 and other Bennett Group insiders, Mr. Mascho and Mr.
16 Koorey. It's my understanding that those individuals 1
17 won't even show up as witnesses at the hearing. And for
18 that reason, there should be some inference in terms of
19 remedies that flows in favor of the Division of
20 Enforcement. I understand that they are not showing up
21 at the hearing, but they are required by subpoena to show
22 up at the hearing.

23 JUDGE GRIMES: You can certainly argue that
24 point in a briefing. Here, sort of this point is hard
25 for me to say exactly how I would interpret that.